CONTINENTAL SELLING PRICES: AUSTRIA Sch 15: BELGIUM Fr 28: DENMARK Kr 5.00; FRANCE Fr 4: GERMANY DM 2.0: ITALY L 700; NETHERLANDS FI 2.0: NORWAY Kr 5.00; PORTUGAL Esc 45: SPAIN Pts 70; SWEDEN Kr 5.00; SWITZERLAND Fr 2.0; EIRE 20p; MALTA 26c

new Government evidence over

the next fortnight. But the FT outsiness opinion survey shows a very low level of confidence among industrialists for their

companies and for the economy

• CURRENCIES showed little

change within the European

Monetary System last week. The

French franc remained the strongest member, with the Italian lira adrift from the

The Irish punt and the Dutch

guilder were also firm, followed

by the Danish krone and the

Belgian franc. The D-mark was the weakest within normal

divergence limits, while the

lira which is allowed a much

This is reflected in the chart, which takes the Deutsche Mark

as the base currency. The

Italian authorities introduced

the expected economic package last week; this did not include

EGU Divergence

forecast. Page 4

output was down sharply in March and April according to

• REGISTRAR of Companies present services have been

defended by the British Insti-

tute_of Management, which has protested against Government

plans to reduce them. Page 3

mining methods without miners.

• FRENCH ECONOMY review

published by OECD suggests the slowdown in activity is likely to be substantially

greater than forecast by the French authorities. Back Page

ground transport extension pro-

ject, worth \$2,500 (£1.0760),

will be put out to tender before

• FIAT has announced a

scheme offering loans at 5 per

cent on all new Fiat cars and

F. H. LLOYD, the engineer-

up to £64.1m (£63.5m), but pre-

12x profits were down at £2.37m

against £3.42m after higher

World Econ. Inc.

ANNUAL STATEMENTS

payments. Page 14

Back Page

light vans.

provisional figures. Page 3

a devaluation of the lira.

others at the bottom.

generally. Back Page; Page 6

Students Treasury optimistic move over Iran inflation nostages . INFLATIONARY pressures will be shown to be easing in

Students holding the 50 American hostages in Iran have moved some of their captives to new secret locations The move follows President Carter's statement that the U.S. is exploring new avenues of negotiation with Iran over the hostages. The hostages are believed to

be held in small groups in makeshift jails in several towns.

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14 10 T

Expulsion order Two British journalists were

given 48 hours to leave Iran

after being detained evernight. Ayatollah hurt

Iran's roving Islamic judge wider degree of movement, was Ayatullah Khakhali, who has anchored well below its part-ordered more than 150 executioners. tions since May, was injured in a car accident.

Shah's battle The deposed Shah of Iran was said to be "holding his ground"

as he battled against serious illness in a Cairo hospital. Arms race move

Talks on halting the nuclear arms race will be a key topic in meetings starting today in West Germany between President Giscard d'Estaing and Chan-cellor Helmut Schmidt, Back

Zimbabwe call South Africa is likely to take a tough line against Zimbabwe Premier Robert Mugabe's demand for the cutting of diplomatic ties with the retention of other links. Page 2

Prisoners caught

Police recaptured three Glasgow's Barlinnie jail two weeks ago.

Observer talks Last-ditch talks which could decide the future of the Observer newspaper resume in London tomorrow.

Pakistan protest

Pakistani President Zia-ul-Haq promised tax law changes after 25,000 Shia Moslem demonstrators besieged Government offices in Islamabad. Earlier story,

Pope's praise The Pope praised Brazil's racial harmony in a speech to provisional figures. Page 3 400,000 people in Curitiba city:

BUILDING SOCIETIES'

Liner blaze fears Dense black smoke from the Italian luxury liner Leonardo da Vinci, ablaze for three days in La Spezia bay, raised fears that the fire may have reached 1,200 tonnes of fuel oil aboard.

Curfew lifted

Turkish military authorities • COAL BOARD is to consider remporarily lifted a curfew in substantial investment in Corum, north-east of Ankara, research and development of where 18 people have died in sectarian riots. Page 2

Borg injury

Bjorn Borg, who won his fifth Wimbledon title on Saturday. will not play for Sweden in the Davis Cup match with Italy next week because of a stomach muscle injury. John Barrett, . BUENOS AIRES under-

Meeting of minds About 4,000 psychologists from the end of the year. 50 countries are meeting in Leipzig for a six-day congress.

Briefly...

Three children died in a house fire at Hull-Hundreds of London Under-the year ended March 29, 1980 fire at Hull-

ground passengers were stranded for an hour because of a power failure. Three people died in a blaze at Interest charges and severance

a Paris sauna.

- Contents -

Wilkinson Match: On the Editorial comment: verge of takeover 13 Nationalised industries The Week in the Courts: on PSBR

Tennis: Borg's fifth Wim- European Commission . 13 bledon championship... 11 Lombard: Samuel Brittan Justinian 10 Survey: Hong Kong Inset Today's Events ... 11 Labour News TV and Radio UK News Building Notes Unit Trusts ...

> Barnato Bros. F. H. Lloyd Hidgs. SEC For latest Share Index phone 01-246 8026

Fifty Tories seek tougher line on **Employment Bill**

BY PHILIP RAWSTORNE

FIFTY TORY MPs yesterday stepped up the campaign to toughen the Government's Employment Bill provisions to limit secondary industrial action.

In a telegram to Lord Hailsham, Lord Chancellor, they urged that the Commons should be given a chance to reconsider the issues of secondary picket-ing and blacking.

Led by Mr. George Gardiner,
MP for Reigate, the Conserva-tive backbenchers pressed Lord

Hailsham to allow an amendment in the Lords tomorrow by Lord Orr-Ewing, a Tory peer.
The amendment would outlaw all secondary action but, according to the Tory rebels, it would not prejudice the Government's position until the Commons debated the issue again. The MPs called on Lord

Hailsham, who is expected to lead the Government's counter-attack in the Lords tomorrow. to heed top legal opinion that the Bill's present provisions would "ensure that secondary action of the most vicious nature s rendered lawful." Strong support for tougher needed.

Government action came yester-day from Mr. Walter Goldsmith, director-general Institute of Directors.

Mr. Goldsmith, expected to

reinforce his attack on the Bill's provisions today, said they were incapable of restraining all the unacceptable excesses of trade union power. Clause 17 of the Bill, which

deals with trade union immunities, was a "badly framed legal nightmare" which had aroused unprecedented dissatisfaction businessmen, lawyers and noliticians, he said. would be "a fatal blunder" if the Government refused to change it.

Mr. James Prior. Employment Secretary, has been assured of the Cabinet's continued backing his cautious approach, though Mrs. Thatcher has said the Bill marks only a "first

Senior Ministers showed no sign at the weekend of altering plans to produce a Green Paper on union immunities in the autumn before considering whether further legislation is Tory Reform Group Conference

Mr. Prior replied to his critics yesterday, dismissing their charges as "ill-founded." In a letter to Mr. Gardiner,

he said a total ban on secondary action would conflict with the strong tradition of sympathetic action in disputes and would raise a danger of a con-certed campaign that would make the Bill unworkable.

"Nothing is more likely to bring the law into disrepute than for it to be flagrantly disobeyed," Mr. Prior said.

Mr. Anthony Frodsham, director-general director-general or the Engineering Employers' Federa-tion, called for the Bill to be passed without delay.

More radical changes now would make it a less effective measure for countering the buses which it aimed to cure, Mr. Frodsham said. Stronger measures would also "leave a greater measure of bitterness than the present industrial relations system can accommodate," he said.

Franco-Spanish relations deteriorate over EEC

BY JOHN WYLES IN MADRID

sharply over Paris's increasingly obvious intention to slow down EEC until the Community has agreed on domestic budgetary

believe that France is ready to frustrate their hopes of joining the EEC by January 1, 1983. on European Monetary System exchange rates: The upper grid, based on the weekest currency in the system, defines the cross rates from which no cur-This has forced the sharpest public complaint yet by the Government the cross rates from which he con-more than 24, per cent. The lower than gives each currency's divergence-from its "control rate" against the European Currency Unit (ECU), itself a basker of European currencies. French tactics. In an interview with the Financial Times, Sr. Leopoldo Calvo Sotelo, Spain's Minister responsible for the EEC, said France was seeking • INTEREST rates are likely to put an "unjustifiable precondition" on Spanish membership. to fall quite rapidly later this year. Midland Bank economists During his discussions in Madrid, M. Barre made it clear that France was opposed to com-**◆ UK CHEMICALS** industry

pleting the accession negotiations covering Spain and Portugal until the Community's own internal discussions on domestic reforms had been com- delayed until 1984. pleted.

Association chairman Leonard Williams strongly supports council house sales. Page 3 speech last month by M. Valery there could be no possibility of Giscard d'Estaing France's Presi- EEC membership during the

FRANCO-SPANISH relations official Community position, it EEC's essential precondition for appear to be deteriorating may well have some support membership of a democratic among other members. A lead-political system had been estab-ing member like France is in a lizhed, and it was quite wrong Spain's negotiations to join the strong position to influence the for another precondition to be negotiation timetable.
The EEC will start tackling

will be to remove imbalances which mean that West Germany. which bears the heaviest burden, the UK in spite of its recent budget deal, and France are the only member States paying sub-Budget than they receive. Since reform will also involve

tackling the enormous costs of Common Agricultural Policy, it is quite likely that the 10 (Greece becomes a member next January) will be unto resolve the problem quickly. If this delayed completion of the negotiations with Spain and Portugal well into 1983, then their membership hluaw almost certainly be Sr. Calvo Sotelo said that

was first hinted in a Spain had always understood

greed on domestic budgetary

The EEC will start tackling All of Spain's main political its budget problems in the parties were in favour of memAfter a visit to Madrid last second half of next year on the bership. But the Minister Wednesday and Thursday by M. basis of a report to be produced warned that frustration was ris-Raymond Barre, the French by the end of next June by the ing as it was three years since Prime Minister, Spanish officials European Commission. The aim Spain had decided to join the Community, and nearly 18 pegotiations months since started.

But these are still in their preliminary stages. "There has to be a rhythm to the negotiations which demonstrates a political will," said Sr. Calvo Sotelo. If this is missing, then "this could change the current unanimity of all the main parties in favour of membership."

M. Barre had been told that Spain wanted its negotiations to be conducted in parallel with the Community's own domestic to be consulted on the internal changes under consideration. M. Barre offered to keep Spain in formed of negotiations among the 10, but repeated that these had to be concluded before the Spanish negotiations could be finalised.

Editorial Comment, Page 12

Although it is not the Franco dictatorship. But the Gold mine decision expected

BY BERNARD SIMON IN JOHANNESBURG

DETAILS OF a large, new Southern African gold and Southern uranium mine controlled by Anglo American and Lourho probably be announced later this week. Trading in the shares of the Welkom, Western Holdings and

Free State Saziplaas gold mines (all controlled by Anglo American) and of a Lonrho subsidiary. Dulker Exploration, was suspended by the Johannesburg, London and Salisbury stock exchanges on Saturday pending he outcome of negotiations on the establishment of the mine. The discussions centre on the

so-called Erfdeel-Dankbaarheid block, an area in the Orange Free State goldfields. It adjoins the Welkom mine to the west, Free State Saaiplaas to the south, and Western Holdings to the north-west. Anglo American own 60 per cent of the mining rights to the block, and Duiker 40 per cent.

Anglo American has made no secret of its prospecting activi-

in Johannesburg and London development will be structured have for some time been expecting an announcement on the exploitation of the deposits. The gold content of the The cost of a new mine is

deposit is believed to be ralatively low grade; about six grammes per ton is mentioned in mining circles. The sharp rise in the gold price in the past year appears to have made a mine commercially viable. The grade is believed to be considerably higher than at the nearby Beatrix mine, the construction of which was given the green light last month.

Mining analysts say a key element in the negotiations is the extent to which a future Erfdel mine will share the facilities of Western Holdings. Free State Saaiplaas and The developers are said to

hoping that the South African tax authorities will allow capital expenditure on Erideel to benefit the tax structies in the area. Mining analysis possibility is that Erfdeel's

in such a way as to create one out of the four super-mine " sites now treated as separate entities.

estimated at roughly R500m (£275.7m). But the sharing of facilities and proposed benefits could bring its effective cost down to R200m (£110.3m). The suspension of the shares of companies involved in the Erfdeel venture is less than a week after the Johannesburg stock exchange sel strict new guidelines aimed at making it difficult for companies to suspend trading in their stock. Mr. Richard Lurie, president the Stock Exchange yesterday said the rules provide for suspension in exceptional circumstances.

The companies are concerned that there could be leakages of information, and we did accept that these are exceptional circumstances," he said. ture of these three mines. One Gold suppliers wise to surge in demand-Page 12

Flexible cash limits studied

BY ANATOLE KALETSKY

industry financing is likely to be recommended by a top-level group of Government officials and nationalised industry board members who have seen considering since May reforms in before the nationalised industries' fiv- recess next month.

ancial arrangements. Proposals for technical chan- Chancellor's beheat in response ges in the present arrangements to growing tension between the for borrowing from the National Government and the nationalised Loans Fund by State corpora- industries over the way that

rowing maturities, are also the industries' by the Treasury. It is expected that recommendations will submitted to Ministers the parliamentary

The group was set up at the

A MORE flexible system of tions to give the industries cash limits and other financial cash limits for nationalised more freedom to vary their bor-constraints have interfered with being viewed sympathetically operations, inhibited investment and cut across the medium-term financial targets which are in theory the industries' main

It is chaired by Mr. Bill Ryrie. Second Permanent Secretary at the Treasury, and includes representatives of major spend-Editorial Comment, Page 12 Continued on Back Page

Walker questions economic strategy

BY ELINOR GOODMAN

Agriculture Minister, has for engaged in a major modernisathe first time expressed doubts tion and expansion programme, about the Government's is having to turn away huneconomic strategy. Speaking on Saturday to an audience of fellow Conservative doubters at the Tory Reform Group conference in Warwick, Mr. Walker questioned some of the fundamental assumptions behind the

Government's economic policies. He made it clear he was worried about the social impli-cations of trying to squeeze inflation out of the system at the expense of jobs, and implied that in his view the Government was badly underestimating the drain on the Exchequer caused by unemployment. He also indicated that he favoured a industry was constantly recruitmuch more interventionist approach to industry than is

favoured by the Government.
Little of this was stated in so many words. Instead he used the conventions of the Conserva- | retired. tive Party to make his point Like Sir Ian Gilmour, the Lord Privy Seal who was the first Cabinet Minister publicly to admit his doubts about the Government's economic strategy, Mr. Walker presented his re marks as a reaffirmation of his belief in the basic principles of the Conservative Party rather than as a challenge to the Government.

Throughout he was careful not to mention any of his colleagues by name and he claimed that there was evidence that the Government had recog-nised the need to "balance efficiency with compassion."

Mr. Walker, a close associate of Mr. Heath in the last Conservative Government, has been known to be uneasy about some aspects of the Government's policies but until now he has not made his doubts public. His speech on Saturday was not a major set piece like Sir Ian's but in it he summed up in public many of the doubts which Ministers on the liberal wing of the Cabinet are expressing in private.

the belief that a rise in unemployment would produce a slower rate of wage increases. There was plenty of evidence. he said, to suggest that a company short of money gave in to wage demands to avoid an expensive strike. Mr. Walker also argued that

it was wrong to assume workers would be more willing to cooperate if their jobs were at Most union restrictive practices dated back to the 1930s when unemployment was at its highest. The first reaction

Continued on Back Page

Coal industry has flood of job applicants

BY RAY DAFTER, ENERGY EDITOR

MR. PETER WALKER, the THE COAL industry, now jobs at 52 collieries. dreds of people wanting jobs in collieries.

In some regions bardest hit by ndustrial recession—the Midlands and the North in particular - there is fierce competition among applicants.

The National Coal oBard said last night: "We do find that people are turning towards the coal industry because of its sec-urity and its high earnings, which are helped by productivity bonuses."

Nationwide, employment position was "just about in balance," But the

with a workforce of about 230,000, the board had to recruit about 25,000 annually to replace employees who resigned or

There have been more than 2,000 applicants for 400 jobs in about 20 pits in Staffordshire, Cumbria, Lancashire and North Wales. In the Midlands, there is a waiting list of 1,500 for

In many areas, the board is one of the few employers tak-ing on workers. In some overqualified for jobs on offer. More generally, the industry is facing a flood of applicants from school-leavers. Pits in South Wales have more than four applicants for every mining and craft apprenticeship, in spite of the local mining uncertainties. The Coal Board is not recruiting adult workers in South Wales because of pit

closures, but it expects to take 700 apprentices this year. In the Midlands, the board said that it was receiving four or five applications for available apprenticeships. The Midlands waiting list is more striking among mature workers; there are 20 to 30 applications

for each job.
"We have had waiting lists before, but I don't think in recent times they have ever been so long," said the Midlands spokesman. "We are hoping that the

increases in wages that have Continued on Back Page

Miners' union to decide on pit closure stance

BY CHRISTIAN TYLER, LABOUR EDITOR

MINERS' REPRESENTATIVES will be deciding this week how far they are prepared to go in fighting off more pit closures. Despite brighter international prospects for coal, the National Union of Mineworkers suspects

that dozens of lossmaking collieries are in greater danger of closure now than for years.

The union cites the phasing out of operating grants to the National Coal Board and more generous redundancy payments as evidence of Government intention to reduce overall

manpower. Militants at the zmion's annual conference in Eastbourne will be looking for a clear mandate to fight closures with industrial action and insist on full settlement of the next pay claim in spite of the Government public sector wage

A demand for £100 a week basic wage from January 1 for the lowest paid mineworkeran increase of nearly 36 per cent-is almost certain to be carried unopposed along with the stipulation that miners should be treated as salaried workers.

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A real push to achieve that carries the risk of the coal board looking for savings else-

The conference has wider political importance this year. The union seeks to put itself in the vanguard of opposition Conservative Government policies on the economy, industrial relations and defence.

A hard-line motion from Derbyshire, to be forwarded to the annual Trades Union Congress if it is carried this week, calls for trade unions to flout Government measures against picketing and secondary industrial action when they become law later this month.

If successful, this demand to oppose the Government, backed by industrial action if necessary, would not only test the TUC's temperature but would also give new impetus to the Left within the NUM. The Left is already rallying behind Mr. Arthur Scargill's campaign for the national presidency in surcession to the moderate Mr. Joe

Miners' fears, Page 5

From July 1st, over £2,500 million has a new home in the City.

At half-past-nine on July 1st, NatWest opened its Corporate Trustee Office at Drapers Gardens, in the heart of the City.

With responsibility for funds currently in excess of £2½ billion, we already act for many major pension funds, unit trusts, property trusts and investment trusts.

Ours is a service which is not only essential, but highly efficient. It guarantees security for the terms of each trust, and the investors' interests. It ensures continuity of management. And it is available on a competitive fee basis.

To find out more about our corporate Trustee services - and how we can help you - contact Cyril Wigginton at the address below.



National Westminster Bank, Corporate Trustee Office, PO Box 297, Drapers Gardens, 12 Throgmorton Avenue, London EC2P 2ES, Tel: 01-628 9888.

S. Africa 'hard line' on Zimbabwe

ZIMBABWE Government officials are predicting a hard-line response from South Africa to the demand by Mr. Robert Mugabe, the Prime Minister, that diplomatic links between the two countries be severed, but economic, financial, tourist and transport links be retained. Officials here said Pretoria was "not inclined" to bow to Mr. Mugabe's demands and was adopting "an all-or-nothing approach."

At his Salisbury news conference after his return from the Organisation of African unity summit in Freetown, Sierra Leone, Mr. Mugabe said he had told Mr. Piet van Vuuren, South Africa's diplo-

matic representative, to pack his bags "nine days ago."

He had, however, not given any deadline for the mission's closure. "We told him that we were not pushing him out over-

night."
The South African diplomatic for the South African forces bique, Zambia and Zimbabwe, want to retain trade and econo-Mr. Mugabe claimed. These mic links.
"recruitment operations" had No official comment was forthto infiltrate into Angola, Mozam-

U.S. arms

to Thailand

THE U.S. began an emergency

arms airlift to Thailand at the

weekend, flying in 18 howitzers and 350 M-16 rifles in

three C-141 transports. The airlift was authorised by

President Jimmy Cartet after

the Vietnamese attack on Kampuchean refugee camps in

Thailand late last month.

Two more C-141s were due to

arrive today, and one tomor-

row, carrying M-16 rifles,

106mm recoilless rifles and ammunition. U.S. officials said the delivery of 35 M-48 tanks would also be speeded

up. They are now expected to

arrive by sea in September.

The total value of the equip-ment, ordered and paid for by Thailand before the

Vietnamese attack, is put at

\$32.5m. The estimated cost of the airlift—\$1m—is being

borne by the U.S. Govern-

ment, as a gesture of support

day accused China of shell-

ing Vietnamese territory. The

radio reported that the Chinese had poured hundreds

Kampuchean guerrillas fight-

ing Vietnamese troops along

the Thai-Kampuchean border.

on Saturday sent a Note to

Peking, accusing Vietnam of

incessant border provocations.

Thailand, and staging an in-

that Vietnam had

kid-

wounded and more than

Chinese civilians in the past

14 months. Diplomats in

Peking said there had been no signs of a Chinese mili-

tary build-up along the border, although China has

not ruled out the idea of

teaching Vietnam another

In February last year, China

mounted a month-long inva-

sion of northern Vietnam, but

China has other ontions than

to repeat the frontal assault

eports from the Thai-Kampuchean border said

fighting was continuing between Kampuchean guer-

rillas and Vietnamese troops.

Thai military officials at the

border said the guerrillas

were trying to stop the Viet-

namese building a road to the

Malai Hills, a guerrilla strong-

At a meeting yesterday in the

Thai border town of Aranya-

prathet. That military officials

told some 2,000 civilians to

end their black market trad-

continuing border tension has

BY RAM! G. KHOUR! IN MANAN

ARAB FOREIGN and Economy Ministers opened a three-day

conference in Amman yesterday.

to lay the groundwork for a series of important pan-Arab

issues to be discussed here again at head-of-state level during the November Arab sum-

The Ministers of the 21

states—and the representatives of the Palestine Liberation Org-

anisation—meeting as the Arab Economic and Social Council,

will discuss a report prepared

by last week's meetings in

Amman of the Arab Economic

Unity Council. The report aims

to introduce the concept of an

"Arab economic citizenship,"

wishing to invest in another.

up the question of forming an

would remove obstacles

The Ministers will also take summit.

which would remove obstacles ters is an opportunity to cata-to citizens of one Arab country logue those problems for full

replace the grouping of Egypt on the Middle East, the Soviet activity.

ing with Kampuchea.

hold near the frontier.

across the border.

Reports

diplomats noted that

intensifying aggression

cursion into Thailand.
The official Chinese news agency Xinhau earlier re-

killed.

nappeď

In Vietnam, Radio Hanoi yester-

for Bangkok.

rushed



Mr. Mugabe . . "Told them to pack their

mission in Salisbury had been used to recruit men of all races been "infiltrated" by Zimbabwean agents. He expected, how-ever, that South Africa would

Christine Powell and Mr. Roger

Cooper, where released by the

Iranians yesterday after agree-

ing to leave the country within

The two had been held for 17

hours after being detained by

officials in plain clothes on Saturday. They said yesterday

they did not know which authorities had detained them.

They were interrogated separately but did not know why they

were arrested. They were not

Miss Powell, who works for

Australian radio. has lived in Iran for six years. Mr. Cooper, who has lived in the country off

expert on Persian literature. In another move against the

foreign Press, President Abol

Hassan Bani-Sadr has asked

the Revolutionary Prosecutor

General to close the office of the French News agency.

The President's office alleges

China, which supports the nalist was arrested and told to defused the protest by leading

Meanwhile it has been

by_ the

an Islamic uniform designed by

the Revolutionary Council and

of hejjab (head scarf) but not

necessarily the chador (long

UNITED

controversial issue of exploiting

the territory's vast uranium

deposits at the Rossing Mine.

Many observers believe, how-

ever, that the hostile attitude

previously displayed by the

council towards the export of Namibia's natural resources

make the hearing a foregone

decree banning the exploitation

of Namibian natural resources

achieved real independence.

Britain, which receives a large

part of its uranium for civilian

uses from Rossing, has refused

to accept the authority of the

UN body to issue such a decree.

stake in the mine, has already

and three Gulf States that dis-banded in the wake of the

ment. They will also discuss co-ordinating Arab reactions to

the normalisation of relations between Israel and Egypt.

with non-oil-producing Arab

countries taking the opportunity

the summit conference in

Prospects for action on the

major political divisions in the

Arab world are slim, though

the gathering of so many Minis-

treatment by the November

Among points to be discussed

Arab armaments industry to are the recent EEC declaration collective Arab economic

Economic issues are expected

dominate the discussions.

complain about the effects rising oil prices. No action

this matter is expected until

Arabs meet on arms industry

Israeli-Egyptian peace

Rio Tinto Zine, which has a

a representative to the hearing. uranium mine,

They cite the council's 1974

the territory had

conclusion.

also led Thailand to close its declined an invitation to send 900-mile border with Laos.

This will include some form

announced that all

the President's office.

employed

black cloak).

that the text of an interview

Agence France Presse,

Tehran and to expel

correspondents.

of artillery and mortar shells given by Mr. Bani-Sadr and

into the northern province of published in Le Monde was

the Vietnamese Embassy in Government will have to wear

Cau Bang, "causing dozens distorted by AFP. of casualties." Vietnamese In May, Mr. Ni artillery returned the fire.

48 hours.

British journalists

expelled by Iran

coming in Pretoria, but South came into effect on July 1. African officials in Salishury implied that Mr. P. W. Botha's Government might adopt a tough attitude, and insist on closing its economic as well as its diplomatic offices in

South Africans in Salisbury make the point that Zimbabwe is more dependent on South Africa—it is estimated that at least 90 per cent of Zimbabwe's exports and imports use the South African railways and

Businessmen, in Salisbury, Africa will ret**r**in economic representation Salisbury, and seek to retain an office for the issue of passports and residence permits for whites wishing to emigrate from Zimbabwe. Thousands of whites in Zimbabwe have South African nationality, and hundreds are seeking work permits for South

mainly in private domestic agriculture—have service and been laid off because of the new

Over 2,000 women demon-

strated against the new dress

regulations on Saturday and

many women in Government

offices wore black as a sign of

Saturday's demonstration bas

been bitterly attacked in the

Press. The Islamic Republic

daily, which is controlled by

the clerical Islamic Republican

Party, asked its readers to identify women taking part in

Some ministries have threat-

ened to expel all women em-

ployees who fail to wear the

heijab. although Mr. Bani-Sadr

has said there will be no mass

an Iranair internal flight for

five hours on Saturday because

AP and Reuter report from

Moscow: Ethnic Iranians demanding visas to return home

have staged a hunger strike at

the Iranian consulate at Baku,

cow reported that several hun-

dred Iranians staged a protest

march to back their demands

and some entered the consulate.

Mr. Mohammad Mokri, Iran's

streets of Baku to the main

He explained that several

hundred Iranians who had been

in the Soviet Union since the

1940s now wished to return

home. He promised that all

Islamic revolution would be

anyone else because of the

British Government's attitude

able criticism over its imports

of Namibian uranium after a

television documentary revealed

the circuitous route by which

France, then taken by road to

Since then, a rangements have been changed and the

uranium is now brought by ship

to Europe and transferred by

road to its eventual desti

The Rossing Mine has only recently reached its maximum

output of 5,000 tonnes a year,

having been dogged by indus-

trial and technical problems.

At present, it is Namibia's only

invasion of Afghanistan, Lebanon, and the most appro-

The Arab states are badly

divided on all these points, and

the best that can be hoped for

how these points should be

The agenda also includes ways of bolstering inter-Arab

economic activity to reduce

collective Arab dependence or

foreign economic ties, and the

use of Arab resources to

liberate Palestinian territories

Also to be discussed are ways

development, to reduce embar-

the rich and poor states of the

Arab world, and agreeing on a

pan-Arab economic and social

development charter to boost

rassing discrepancies between

achieving more balanced

priate Arab response to Camp David talks.

here this week is agreemen

tackled in November.

occupied by Israel.

variety of European desti-

Britain came in for consider-

The Iranian embassy in Mos-

acceptable Islamic dress.

in Soviet Azerbaijan,

mosque for prayers.

those

given preference.

NATIONS Sir Mark Turner, RTZ's chair-

towards the council.

Revolutionary Guards delayed

protest yesterday.

the demonstration.

dismissals.

Moscow:

In May Mr. Nick Cumming-Bruce, a British freelance jour-Ambassador in Moscow said he

UN Namibia council to

begin uranium hearings

Council on Namibia today begins man, said he would not be hearings in New York on the available, and would not send

nation.

women

Irenian

The number of men declared redundant is conservatively estimated at 10,000 out of an employed labour force of 900,000. It became illegal on July 1 to dismiss workers purely because of the minimum are claiming redundancie imposed just before the new

law came into effect. ZANU PF labour official said that in some industrial sectors, men were being laid off and re-engaged at lower wages however, are predicting that but there has been no commen on these accusations either from the Government employers.

Mr. Joshua Nkomo, Home Affairs Minister, said far more were operating against the Government in ZANLA areas (loyal to Mr. Mugabe) than in ZIPRA areas (toyal to himself).

The ruling ZANU PF party Mr. Nkomo deplored the fact claimed at the weekend that that he had not been invited to literally thousands of blacks—attend the OAU meeting. If Mr. Nkomo's party were "driven out of the Government" it would be ment" it would be Mugabe's fault, he added.

Pakistani troops face protesters

By Our Foreign Staff

TWO DIVISIONS of Pakistani yesterday surrounded demonstrators outside the Pakistan Government Secretariat building in Islamabad, the Pakistani capital. The protesters, who belong to the Shia Moslem sect, were demonstrat-ing against the compulsory wealth tax introduced last month by General Zia ul-Haq, the Pakistani leader, as part of his programme to turn Pakistan into a model Islamic state.

Diplomats in Islamabad said it was the biggest show of military force in the capital since General Zia came to power three years ago.

The Shias, who make up about 30 per cent of Pakistan's 70m population, believe the com-pulsory tax is against the law of their sect. They believe they can pay it only if it is voluntary. Organisers of the protest said

they intended it to be peaceful. The demonstration started after at least one man was killed and 13 were injured in fighting with police in Islamabad on Saturday. The Shias said two of their supporters were shot dead on Saturday by Police, who deny any shooting. They said only one man was killed, when he was struck by a tear gas canister. The Government made o omciai comment.

Shia spokesmen said there were protest marches yesterday against the violence in several Pakistani towns. Peshawar, Lahore and Karachi They also said a march would

be staged in Islamabad today, applications would be studied in defiance of martial supporting the regulations.

Iraqi Minister attacks 'oil stockpiling'

KUWAIT-Mr. Tayeh Abdul-Karim, Iraq's Oil Minister, has attacked Western nations for stockpiling oil supplies, and in a change of policy, has called for a limit on crude oil production.

"Regulating oil production is the only effective measure to confront Western plans aimed at constant disruption of the balance of supply and demand by stockpiling oil," Mr. Abdul-Karim told the Kuwaiti newspaper Al-Rai Al-Aam.

Iraq had always aimed at achieving a balance between supply and demand, Mr. Abdul-Karim went on.

Finding a formula for unifying prices charged by the 13-member Organisation of Petroleum Exporting Countries (OPEC), and studying ways to maintain the real price of oil were more important than simply increasing prices, he

Earlier this year, Kuwait, Libya and Venezuela cut production and Mr. Ali Akbar Moinfar, Iran's Oil Minister, said less oil should be lifted because stocks in consuming countries had reached record

Iraq, however, did not follow the moves to cut production. The second-largest OPEC producer, it produces 3.7m barrels of crude a day.

Turkish town tense after riot

By Metin Munir in Ankara A CURFEW imposed on the central Anatolian town of Corum where 18 people died in lifted temporarily by the Turkish authorities yesterday.

Troops were out in force and barricades were erected to pre-vent a renewal of the violence between the town's right-wing Sunni majority and the Alawi community.

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WORLD TRADE NEWS

India to build £54m China plant

CHINA has agreed in principle trial concern, should set up a rayon manufacturing plant in China on a turnkey basis. The plant, which will use Indian technology, is expected to cost Rupees lbn (£54.6m).

Agreement was reached be tween the China National Technical Import Corporation and a Birla representative who was a member of a trade delegation which visited China last month. The details of the pro-ject are now being worked out.

This is a major breakthrough for India both in economic and political terms. India and China opened trading relations a few years ago but trade has so far been nominal. Apart from being a major centract, the Birla project is therefore expected to

boost trade significantly.

The deal comes at a time when there are moves to normalise Sino-Indian relations which have been cool since the border war of 1962. India has not accepted China's proposals for settling the border dispute but has indicated that it wants to begin serious negotiations. The Chinese Foreign Minister is to visit New Delhi later this

There has been considerable criticism here of the slow pace of normalisation of relations since Indian businessmen are keen to take part in China's modernisation and explore the potentially large market.
The Indian trade delegation signed an agreement for the purchase of 20,000 tonnes of barytes worth \$800,000 from China. The import of calcined petroleum coke from China is also being discussed. The Chinese, for their part, have made a number of inquiries on imports from India of chemicals

Estel Hoesch in Soviet pact

DORTMUND-Estel Hoesch Werke, the West German unit of the Dutch Estel Hoesch-Hoogovens steel group, has signed a five-year technical cooperation agreement with the State Committee for Science and

Technology of the Soviet Union. The agreement, which was signed in Moscow, calls for technical co-operation in the areas of welded pipe production for oil and gas pipelines, pipeline quality control, insulation, and

layered spiral pipe.
Estel Hoesch said the cooperation would take the form of exchanges of technical inforation and know-how through visits by experts, joint seminars and symposia, as well as mutual testing of samples of new products and the exchange of test results.

Soviet and West German specialists would also jointly work on the development of new types of pipe and new steels.

Oman orders more Jaguars

By Michael Donne, Aerospace

OMAN HAS ordered a further substantial number of British Aerospace Jaguar strike aircraft together with a number of Rapier Blindfire radars, to enhance the capability of the existing Omani Rapier missile defences

The number of aircraft is not disclosed officially, but is believed to be 12 aircraft, enough for another squadron, worth at least £60m without spares.

The new Jaguars will be of the latest version, powered by uprated Rolls-Royce/Turbomeca Adour engines, giving improved performance in combat conditions. Oman at present has 12 Jaguars in service, with two the economic, commercial and

Argentina to seek tenders for £1bn metro extension

BY ROBERT LINDLEY IN BUENOS AIRES

extend the Buenos Aires underground system from its present 21 miles to more than 45 miles within the next ten years.

Two new underground lines are to be added to the existing five, three of which will be extended. The vast project, includes the remodelling of the existing underground and the renewal of all the tracks, rolling stock and signalling equipment of the system.

Buenos Aires was one of the of the city's new port—was not first cities in the world to completed until 1973. acquire an underground system.

company called Anglo Argentino which completed the line, just under seven miles the city's population at about long, in December. 1913. Of the five existing lines of the network, most of which are on ground system is therefore the point of total collapse, "Linea A" is the one which functions best today.

The last of the existing lines, all of which begin in what is erroneously called the "centre" of Buenos Aires—an area which in fact is in the vicinity No line reaches beyond the

TENDERS WILL be called The first line-Linea A-was real centre of the city proper, before the end of this year for entrusted in 1909 to a British the population of which today the \$2.5bn (£1.07bn) project to company called Anglo is probably in excess of 4m (the last census, in 1970, put the city's population at about

totally inadequate for servicing the city and the sprawling suburbs with a total population of around 11m.

Even the projected extension with the exception of one or the planned new lines, Linea G. which will reach into the indus trial suburb of Avellaneda will not push it to the city limits of

Swedish car sales decline 14%

BY JOHN WALKER IN STOCKHOLM

the first half of this year com-pared with 112,562 units in the same period in 1979, according to the Swedish Association of Manufacturers

This downturn which began late last year is claimed to be the worst since World War II and even the present level of sales is expected to be difficult to maintain.

The two main reasons for the

strike affecting many sectors of industry which made many potential buyers hold off.

Swedish manufacturers Volvo and Saab both showed a decline in the first half of this year. Volvo sales dropped from 30,015 units in the first half of 1979 to 26,279 units in the first six units in the same period in months of this year, retaining 1979. At the same time bus almost the same market share

THE SALE of new cars in decline are the current down- in the first six months of 1979 Sweden dropped by some 14 turn in the economy coupled to 12,131 units with a drop in per cent to 98,822 units during with the lengthy industrial market share to 12.1 per cent with the lengthy industrial market share to 12.1 per cent from 13.6 per cent a year ago-

The Japanese share of the market at 13 per cent was mar-ginally above the comparative figure for last year.

Truck sales amounted to 3,877. units during the first half of the year compared with 7.746 sales went up to 525 units this of around 26.6 per cent. Saab year compared with 497 units sales dropped from 15,369 units in the same period in 1979.

Congress blocks Eximbank rise

BY JUREK MARTIN, U.S. EDITOR IN WASHINGTON

THE U.S. Congress, rushing to eave Washington for the threeweek holiday recess, last week chopped more than \$300m (£217m) in supplementary spending for foreign programmes, including all the planned increase in lending authority for the Export-Import

This action was a defeat for the Carter Administration, though the setback will probably be temporary. Several senators promised to resubmit funding for the Eximbank when Congress reconvenes towards the

untypical. It often happens that, faced with the pressures of recess deadlines and statutory budgetary spending ceilings, for an extra \$528m in foreign-not to mention domestic poli-spending, which congress cut tical considerations, previously to a meagre \$126m Lost in the for the time being.

stantial sums from Federal for the World Bank. The con

The confused events in both year it took its axe to its Senate and House were not favourite target, foreign assistance. --The Bill included provision

agreed packages are cast aside wash was the Eximbank, for whom an extra \$355m had been In this instance, Congress sought and whose lending baulked, for obvious political authority is now down to a scant reasons, at having to cut sub-\$25m, and an additional \$30m. revenue sharing grants to the nation's States. In order to stay managed to salvage \$50m in aid within the \$16.6bn ceiling of to Nicatagua and \$43m in the Supplemental Appropriations Bill for the current fiscal assistance.

Dutch export funds running out

BY CHARLES BAYCHELOR IN AMSTERDAM

INTERNATIONAL competition exporters to match the cheap amount to only F1 70m since offer favourable export financing deals threatens to exhaust funds provided by the Dutch Government to help its own exporters.

Requests for assistance from the Dutch "matching fund" had reached Fl 114m (£25.7m) by mid-June, more than two thirds the Fi 140m set aside for the whole of 1980, Mr. Karel Beyen, State Secretary at the Economics Ministry told Par-

The Dutch set up their matching fund in 1976 to enable

interest rate financing foreign competitors were able to offer with assistance from converted into orders. their own governments. A real reply to an MP's questions.

gain orders worth Fl 2.1bn while a further Fl 9m is needed to continue existing aid agreements. The Economics Muistry. is allowed to approve support of up to F1 140m, though the funds it may actually distribute

50 per cent of the tenders are In 1979 the ministry gave shortage of funds now threatens. F1 41m to help exporters get Mr. Beyen said, in a written 29 orders worth F1 1.8bn. The

maximum it could approve last Dutch exporters have asked year was 17 100m while actual for F1 105m of new aid to help. The Government hopes to meet all requests for matching aid this year, although Mr Beyon warned that budget pressures mean no guarantee can be given that extra funds will be provided if this becomes necessary.

UK opens credit for Turkey

BY METIN MUNIR IN ANKARA

can now be drawn on following its publication in the Turkish official gazette. The money is part of \$1.16bn pledge by the so-called Turkey Club of the Organisation of Economic Co-operation and Development (OECD) balance of payments support in The British loan is to be used

for the purchase of UK products which the British Government considers to be "conducive to development

since the 1930s.

W. Germany

A £15m British loan to Turkey Turkey." The money cannot be used for the purchase of armaments, luxury and consumer goods, oil,

petroleum and petroleum pro-

The new loan carries an

annual interest rate of 6 per cent. Repayment will begin in 1985 and be completed in 20

David Tonge adds: The Turkish-British Chamber of launched last week in London tributed to of A symposium of 200 business growth of trade.

men and officials heard Mi Yuksel Soylemez, the Turkish Consul General announce that the Chamber was now seeking support and should be functioning by the end of

In 1979 British exports to

Turkey emounted to £48.5m and British imports from Turkey te £43m. Mr. Soylemez said that Turkey's foreign exchange diffi-culties and the suspension of cover from the Export Credits. Commerce and Industry was Guarantee Department had conrestricting the

this year.

SHIPPING REPORT

Serious downturn for dry cargo markets BY WILLIAM HALL, SHIPPING CORRESPONDENT THE DRY CARGO markets have of 1974. This was followed by shared by the dry cargo mar- as other cargo, and the other

suffered their first serious set the worst shipping recession kets. Even so, there is a limit three main commodities are iron

back since the U.S. embargo on Russian grain sales at the start of the year. Over the past fortnight rates

for Panamax vessels (the maximum size ship capable of traversing the Panama canal) have fallen by about a fifth and for the smaller handy sized vessels, rates are about a tenth below their June peak. Galbraith Wrightson, in its

weekly bulk carrier report, says there is no doubt that the expected usual summer depression has already arrived in the dry cargo markets which it pre-dicts will continue until late September. However, other shipping

brokers are less sanguine. There are similarities between the current freight market and the situation which existed after the quadrupling of the oil price in 1973/74. Rates for tankers and dry cargo ships had improved steadily from mid-1972 until the steadily from mid-1972 until the France end of 1973 when the tanker Holland market collapsed. By contrast, the bulk carrier market did not start to weaken uptil the middle

Since mid-1978 the shipping markets can remain firm in the industry has been recovering, face of a despening world ne tonnes), and However, over the last six cession. months the bulk carrier market According to Featurey and has performed much more strongly than the tanker market and this raises questions about how much longer the two

Egers, the Norwegian ship-brokers, 1,780m tomes of oil-plus associated products were carried last year—just under half of all seaborne trade markets can remain out of step. The tanker industry has (3,657m tonnes). Another third needs problems which are not (1,260m tonnes) is categorised

World Economic Indicators

INDUSTRIAL: PRODUCTION

% change over previous y '80 Apr. '80 Mar. '80 May '79 55 148,6 151.6 152.4 - 4.5 Apr. 30 Mar. 30 Feb. 30 Apr. 77 108.2 108.9 110.2 113.6 131.7 130.8 123.4 129.3 147.8 155.2 148.4 128.8 1975=100 1970=100 +142 1970=100 142.6 129.7 +10.3 1975=100 jan. '80 Mar. '79 135.0 132.0 136.0 130.0 135,0 117,0 + 3.0 177.0 Feb. '80 Jan. '80 Dec. '79 119.2 108.1 112.5 Dec. 77

109.5

as to how long the bulk carrier ore (302m tonnes), coal (140m tonnes) and grain (175m Only the coal trades likely to remain buoyant. The

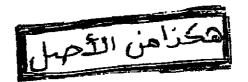
grain trades depend very much on the formose of the world's major harvests (Russia's in particular) and seaborne made in Iron ore and general cargo is linked closely to world trade In addition to the depressed picture for most of the major commodities transported by

owners are once again orderios too many ships.
R. S. Platou, the Oslo-bised brokers, reports that 46 order for bulk carriers of over 50,000 dwt have been placed in the first six months of this year which meens that the bulk cur-rier orderbook has more flian quadrupled in size to 131m deci over the last year Under Olini dut of new bulk carriers were delivered in the first half of the current year. But Plants

هكذامن الأجهل

sea there are signs that shep

estimates that no less than 7.3m 1970=100 dwt are to be delivered ment



for sale houses

BY ANDREW TAYLOR

STRONG support for council house sales has come from Mr. Leonard Williams, the Building Societies Association chairman. He says continued demand for owner-occupation can be met only with a more rapid transfer of houses from the public rented sector.

Writing in the latest issue of Building Society Affairs, Mr. Williams says new housebuild-ing is declining and fewer private rented homes are available for sale. New impetus to home ownership could be pro-vided by the council house sales programme.
"These new owner-occupiers urges end

will belp maintain a reasonable social balance within large housing estates for until now, many local authority tenants who have aspired to owner-compating them. occupation have left council estates and bought houses in the private sector. "This has tended to leave

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CONTRACTOR SERVICES

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year.

local authority housing with undue proportions of relatively low-income families at one end of the spectrum and single people at the other. The sale of council houses can help pre-serve a better balance between

warious types of household."
Mr. Williams said building societies expected to play an important rele in financing council house sales. But it would be undesirable for them to earmark special funds for this purpose.

To do so would seem quite invidious when many investors who have no homes of their own are unable to secure a building society mortgage to buy a house because societies are short of money."

Mr. Williams expected that many conneil tenants buying in the near future would take advantage of their right to a mortgage loan from their local

Protest at companies' registrar plan grows

By Christine Moir

THE BRITISH Institute of Management has joined the growing chorus of protest against Government plans to reduce the Registrar of Companies' services.

The Trade Secretary's most controversial proposal, an-nounced in a consultative document in April, is for abelitan of the Register of Business

The institute "strongly advises" the Trade Secretary to reconsider. The register is "an important protection to the public and should be extended, improved and run on an efficient commercial basis."

At present traders must register the names under which they operate, together with details of the ultimate owner. The Registrar of Companies

has said that the register is patchy and in many cases out of date. There is no incentive for businesses to register and no enforceable penalty for nonregistration.

This has aroused considerable opposition from debt-collection and credit-rating companies. They believe that abolishing the register, would make it much harder to trace the owners of A group of such companies is

discussing ways of keeping the register going privately, even if the Government decides to But many feel that a privately-

run register could be open to abuse and that could give rise to a protection racket."

MICHAEL DONNE AT HENLEY

American crews win

six of 12 events

Backing Chemical output falls sharply

BY SUE CAMERON, CHEMICALS CORRESPONDENT

March and April, according to year. provisional figures.

lication, British Business. It forecasts a sharp fall in business for British chemical

business for British chemical this stagnation in the growth companies, but little or no of UK exports." increase in the volume of The production index for the chemical imports is expected first three months is estimated increase in the volume of

three months were £1.502bn at quarter. But, it says, this higher than a year current prices, compared with "masks the sharp fall in out is said to reflect the f1.485bn in the final quarter put in March and April. in oil prices and per last year. But in 1975 prices, seasonally adjusted, exports fell prudent to read too much into Investment in the

Callaghan

to Labour

bickering

MR. JAMES CALLAGHAN

reasserted his leadership of

the Labour Party at the weekend and called for an end to

the long and bitter row over

"Enough is enough," he told a party rally at Brecon urging the movement to unite

in opposition to the Tory

"As long as the party is arguing with itself, we give

comfort to the Tories and we

Labour must be in a posi-

tion by the autumn to present

itself as an alternative Government, Mr. Callaghan

"All people look to us as the creators of Britain's Welfare State to throw back

the onslaught of the most savage and doctrinaire Tory

Mr. Callaghan, in his first major speech since the party's Commission of Inquiry decided to leave the solution

of the constitutional issues to the October party confer-ence, spelled out the deci-

the beip of the union block

be free to decide whether to reselect sitting Labour MPs as candidates, he said.

The party -leader should continue to be elected by MPs after consulting their local parties; and the party's election manifesto should continue to be decided by the parliamentary party and the national executive.

If the national executive

tried to impose a manifesto on the parliamentary party,

it would be a recipe for division and disillusion, he

Participation and consulta-

tion in the party should be improved, but the violent controversy aroused by some

of the changes proposed were distracting the party from its

main task. There was a deep

groundswell of opinion that

the debate should be ended.

Calls for party unity also came at the week-end from Mr. Eric Heffer, a leading Left-winger, who said that the

Left-winger, who said that the party must not become obsessive about constitutional issues, and from Mr. Peter Shore, the party's foreign affairs spokesman, who said the time had come for the "long-delayed". Socialist counter attack against the Government's policies.

Division

Constituency parties should

savage and doctrinaire Government in the last half

By Philip Rawstorne

its constitution.

British Business says steri-They also show "a stagnation ing's continuing strength, the is also being exacerbated by a is still "some 8 per cen' lower in the growth of UK chemical rapidly increasing costs of UK rundown in stocks from the than in the first quarter of exports," says the official pub-production and increased com- high levels built up in 1979 and, 1979." petition overseas "are among the factors that have led to

at 118.6 (1975=100), much the Chemical exports in the first same as for last year's fourth

is now entering a recession The current fall in demand

given the somewhat bleak outlook for the economy in 1980, the prospects for the industry are not bright.' The cost of materials and of this year.

fuel rose by a "further 10 per cent" in the first three months "to a level over 40 per cent-higher than a year ago." This is said to reflect the sharp rise in oil prices and petrochemical

Of COUNCIL THE UK chemical industry's slightly to £919.2m from £919.5m these provisional figures, it estimated to have risen by about output was down sharply in in the last three months of last seems likely that the industry 10 per cent in the first quarter, is now antoning a repression. after declining steadily since the middle of 1978. But this than in the first quarter of

> Industry Department survey of investment intentions indicates a downward trend for the rest

> Sales of principal chemical products (in 1975 prices) fell from £2.106bn in last year's final quarter to £2.097bn in the first three months of this year. Chemical imports, also at 1975 prices, fell from 5682m to

EEC regime 'favours French apples'

"rumour and misinformation," according to Mr. Christopher Jackson, Conservative Member of the European Parliament.

Introducing a report published today by the European Democratic Group, he said they had been unable to find any hard evidence of illegal subsidies to enable French Golden Delicious supplies to undercut traditional British apples like Cox's in the market.

produce as Cox's but the Golden Delicious growers get an intervention price twice as high as for British apples." This enabled the French to plan for an exportable surplus the autumn. with intervention as an effective

imports of French apples into discriminates unfairly against restructuring the apple-growing Britain has been riddled with northern European varieties of industry. It also calls for stricter control of grading so "French Golden Delicious that only top-quality fruit is cost two-thirds as much to sold in the EEC.

will still need to improve their, work. raditional British apples like The intervention system efficiency, especially in market. Mr. Graham Ashmore, cars. egg, bacol lox's in the market. should be scrapped, the report ing, to benefit fully from any organiser of the scheme, said: The increase is the second coffee, to But the report does show that says, and the money saved juster EEC regime. "Many of the people who this year. British Rail said or honey.

Big Midlands companies give backing to beginners

BY LORNE BARLING

panies in the Midlands, such as are either tired of being pushed Lucas Industries, GKN and Cadoury's are backing scrious attempt to generate agement." business activity through new small companies, many of them involving redundant workers and disillusioned management.

A group of 16 major companies is contributing up to and independent. £3,000 a year to Birmingham Venture, a scheme run by the Birmingham Chamber of Commerce, in an effort to regenerate industry at a time of extreme pessimism in the area.

The aim is to allow new small businesses to draw on the experience and resources of large companies to get them-selves established, although its THE CONTROVERSY over the EEC intervention system (about £24m a year) spent on immediate impact on the large backers admit it can have little number of redundancies in the

> Since the start of the scheme at the beginning of the year, seminars have attracted double The group will press for the number they can accommo-action to remove the disadvan-date and support from Midlands tages suffered by British companies is growing fast, growers before the new Participants also include the southern aple season starts in four clearing banks. Bryant Construction. Delta Rod Hold-But it warns that the British ings, Kalamazoo, and ATV Net-

SOME OF the largest com- intend to start new businesses around by unions, or find their a drive blocked by senior man-

There were others who had their jobs in mid-career and intended to use their redundancy money in a last effort to become self-employed

given to new manufacturing enterprises, which make up about a third of inquiries. Assistance is being provided where possible, such as the recent testing of an engineering product by GKN.

Progress is being made on

the provision of industrial large companies do not need, and the development of special nursery" units is being considered.

Advice given to potential manufacturers covers accountbanking. marketing, usually in the form of lectures by experts on each Most encouragement is being subject. Some large companies are offering to sell complementary products in export markets. So far, Birmingham Venture has assisted in the setting up of a small number of companies. With more resources from increasing membership, it believes this will rise steadily.

£4.95 for BR breakfast

THE PRICE of British Rail's yesterday it had been necessary Savoy Hotel, increases by 15 station buffet prices was intro-per cent today, from £4.30 to duced last week.

per cent rise in refreshment prices in restaurant and buffet

traditional English breakfast on because of higher operating Inter-City services, which has and material costs and staff pay

A British Rail traditional This is part of an average 10 breakfast consists of a choice

of porridge, cornflakes, fruit juice or grapefruit, kippers or coffee, toast, rolls, marmalade

The General Electric Company Limited Another year of

sound progress

Record Sales

Sales exceeded £3,000 million for the first time, more than twice the figure for 1975.

Record Exports

Exports exceeded £800 million, nearly three times the figure for 1975.

Record Employees' **Earnings**

Average annual remuneration per employee at home and overseas was nearly two and a half times the figure for 1975.

Record Profits

Profits, at £415 million, were two and a half times the figure for 1975.

Record Dividend

The dividend of 825p per share is over two and a half times the figure of 3.03p for 1975.

JOBS Prosperity creates more job opportunities Yes, even in a recession GEC's

crowth has created no fewer than 2,500 current job opportunities in many parts of the country, particularly for graduate engineers and technicians experienced in electronics, computer-related disciplines and electrical, mechanical and production engineering. In addition, some 2,000 newly qualified graduates in similar disciplines will be needed this year. We need enthusiastic, careerminded people who relish the challenge to succeed—thus not only realising their own ambitions, but

Results for the year ended 31st March, 1980.

Sales (Outside the Group)	3,006	-	2,501	
Profit before taxation . on historical cost basis	415	5	378	
Profit before taxation	-	CCA £ million		CCA £ million
current cost basis		295	_	305
Taxation Profit after taxation	156 259	156 139	133 245	<u> 133</u> 172
Minority Interests	9 250	<u>5</u> [34	7 238	<u>5</u> 167
Dividends	45	45 89	34	34 133
Current Cost Adjustments Increase in Net Book Worth	205	116 205	<u>204</u>	71 <u>204</u>
Dividends per share:	<u> 1980</u>		1979	
Interim Final (1980 proposed)	3.00p 5.25p 8.25p		2.25p 4.00p 6.25p	
	Титоскес		Historical (Cost Peofit

		(incl. inter-	Gronberjes)	bcfore T	
		1980	1979	1980	1979
	1	£m	£m	£m	£m
ľ	United Kingdom				
	Power Engineering	427	401	46	56
	Industrial	334	327 ·	48	55
	Electronics, Automation	-			
ľ	and Telecommunications	: 1042	862	135	101
ľ	Components, Cables and			_	
	Wire	397	32B	.35	35
	Consumer Products	303	278	21	24
i	Associated Companies	116	91	3	6
	Overseas				
	Subsidiaries	688	487	6[47
	Associated Companies	227	145	24	16
	Other Activities and items	20	22	9	4
1	Interest Receivable, less				
	Payable and Investment				
	income			_33	34
ļ		3.554 .	2,941	415	378
į			· 		3/5

Turnover and profits of associated companies are included to the extent of the Group's interest in them.

also continuing the expansion of Britain's largest and most successful private sector company. If you can help us, write to:-Glyn Trollope,

The General Electric Company Limited, 1 Stanhope Gate, London WIA 1EH.

Extracts from the Chairman's Statement.

Since the resources of GEC, AEI and English Electric were amalgamated, we have tried to contribute towards the establishment of rational structures in the industries in which our Group participates. As a result, the Company is in a better position to face the predicted recession than a good. many others. The complete justification for the harsh. decisions we had to make following the mergers twelve years ago is that there is not today any doubt that your Company can withstand the challenges of the next difficult years. To have evaded or postponed. those decisions would have brought retribution now, for we would certainly have found ourselves facing possibly insoluble problems. This is not to say that we will not have problems in GEC in the future which will. have to be dealt with as they arise; it is only to say that when we said in the past that things were necessary, they were. During the years since the mergers, we have in fact disposed of more businesses in the UK. than we have acquired, the disposals usually occurring because we were satisfied that others could make better use of the resources involved than we could, and the acquisitions because we thought they would function better in GEC than left as they were. It was the application of these principles which led to bringing into our group the activities of A.B.Dick and of Averys. The record clearly shows this course to have been right; in general we have managed more effectively. and productively the businesses we have acquired; and so too, have those who bought businesses from us. 33

*The recent Special Conference of the Labour Party adopted as part of the policy of a future Labour Government a commitment to nationalise certain private concerns without compensation. It is astonishing that there has been no public outcry against such a blatant threat of confiscation. Even today, the principle of fair treatment at the hands of the State is being seriously eroded, as illustrated by the acquiescence of the present Government in the grossly unfair compensation terms of the Aircraft and Shipbuilding Industries Act, 1977, terms which, in opposition, they vehemently and explicitly condemned as palpably unjust It is a plain fact that this basis of compensation in respect of the Company's shareholding in the British Aircraft Corporation. (Holdings) Limited, which was sequestered on 29th April, 1977, is not in accordance with the international standards to which the Government professes to subscribe. Further, there is no intention to make good. the fall in the purchasing power of money since that time; the interest carried by the compensation stock is. even before corporation tax, much less than the inflation rate. ??

Nelson of Stafford



the Charles Control of the contro

re III (a

ed grade in history in no feet in the state in seathers in seathers in seathers

national college and school crews are carrying home are: premier Henley Trophy); the Isadies Challenge Plate; the Prince Phillip Challenge Cup; the Silver Goblet Challenge Cup; the Princess Elizabeth Cup-for Schools and the Stewards

Challenge Cup.
The final of the Grand was superb, a clash of giants between two national crews who might otherwise have been meeting in the Olympics — the U.S. Charles River Rowing Association and the New Zealand Walkato and Walran

early lead and although heavily champion R. D. Ibarra.

the Olympic Games, more than quarter lengths in the compara adequately compensated them tively slow time for the Grand serves at Henley Royal Regarta of 6 minutes 35 seconds. The Charles River Club had a particularly good Henley, for in

yesterday, winning 6 of the 12 Among the trophies that the massive U.S. contingent of addition to the Grand they won the Prince Phillip Cup for coxed coxless fours.....

St. Paul's School, from Conturing the coveted Ladies Challenge Plate from Wit-waterarand University of South

Several other trophies went oversess including the Double Sculis Challenge, Cup. won by the Victoria City Rowing Club of Canada. The Diamond Chal-

lenge Cup for single sculls was Club.

Charles River: snatched an won by the Argentine national

AMERICAN crews denied the pressed never lost it. They opportunity of taking part in eventually won by one and a

fours and the Stewards Cup for cord, U.S., won the Princess Elizabeth Cup for Schools, while Yale University set the seal on this unprecedented run of American successes by cap-

meting.

about as far from the Govern-

In its view, the Government

has deserted these principles in a dogmatic pursuit of mone-

tarism. The group agrees with

the Government's basic belief in

the need to put the economy in

order, but it cannot stand what

it regards as the Government's

blinkered refusal to recognise the social and political implica-

The group believes its job is

to counteract the pressures on the Government from what one

member described as the "toadies" on the Right and to give moral backing to those

arguing for a more flexible line

The conference was billed in

advance by the group as the "weekend of the wets." and by

comparison to some delegates views. Peter Walker was a posi

Pay policy, Government inter-

vention in industry, propor-tional representation and other

such heretical ideas were heavy

At times, listening to the dis-cussions of the delegates-

mostly young, fresh-faced, mild-

extreme—it was difficult to believe they belonged to the

same party as Mrs. Thatcher.

This impression was strength-

ened by the fact that she was

When anybody wanted to

refer to her policies, they tended to attribute them to Sir

rarely mentioned by name.

mannered and moderate in the

in the air.

tions of its policies.

MANY UK power supply manuelectronic equipment industry will not survive the recession. says a report from market analysts. Larsen Sweeney.

Those which do survive may find their products becoming uncompetitive compared with European rivals it says.

"What must be disturbing for UK power supply manufacturers is that their competitors in West Germany, France, Sweden and Japan are receiving considerable governmental aid in one form or another," says the report.

Larsen Sweeney expects a geenral downturn throughout Europe in power uspply sales until 1986. For hte UK, is forecasts an average real growth compared with an earlier fore declining; and any marked deceleration still seems a long way off," the bank review

try is expected to grow in real argues. terms by an average of 19 per After Thursday's MLR cut, cent in the six-year period com- stockbrokers Wood Mackenzie pared with a previous forecast predicted further gradual of 27.7 per cent. Germany is reductions to about 13 per cent likely to have the highest at the end of this year. European growth of 23.4 per

cent in real terms. addition to the industry's down- particularly the trends of gubturn there are signs that manu- lic spending and borrowing. facturers are not adopting new technologies which have been developed for power supplies. The analysts attribute this to reluctance to introduce and further, and before credit interest in the development of demands have subsided substan-

Rapid interest rate fall forecast

forecast that public sector bor-rowing could exceed the f8.5bn

limit for 1980-81 by between £1.5bn and £2bn unless further

spending cuts are introduced,

recessionary forces now at work

are likely to lead to an unpre

cedented drop of more than 4

per cent in total output, as

measured by real Gross Domes-

tic Product, between 1979 and

Brokers Phillips and Drew also discuss possible severe dif-

ficulties in controlling public

spending both this year and in

1981-82. In the current financial

year a moratorium on new local authority capital projects might

offset some of the overrun on

current spending and bring overall public borrowing down

This would mean the savings from the UK's EEC Budget con-

tribution would not go to a cut

in public borrowing as was

originally hoped.

Looking ahead to 1981-82,

Phillips and Drew say a com-

to cut public expenditure by

Unemployment may be higher

per cent in 1981-82.

The brokers note that strong

INTEREST RATES are likely to disequilibrium in the credit fall quite rapidly in the second half of this year, Midland Bank economists forecast this morn-

The latest Midland Bank quarterly review — written before Thursday's one point cut in Minimum Lending Rate to 16 per cent-says such falls would be the result of the decline in economic activity to which the Budget measures have contributed. The review says the first of

the Government's objectives. bringing down the growth of the money supply, is at last beginning to seem within reach. "The second stage will be to ensure that this feeds back to expectations about inflation and in particular into wage settlements. But this seems unlikely to occur of its own accord at least until the actual of only 11.17 per cent a year rate of inflation is seen to be

bination of problems may threaten the Government's plans

Other analysts remain corcerned about some of the under-Larsen Sweeney says that in lying monetary developments,

than the Treasury assumes, the For instance, brokers de relative price effect—the relationship of public-sector costs to prices generally—may be less Zoete and Bevan argue that to react to political pressures by favourable than assumed and reducing interest rates even the projection for interest pay ments may be too optimistic Consequently, the Government tially, would risk creating a may need a further round of

Ferranti response praised markets. The brokers see evidence that the budget deficit may now be rising.

Brokers James Capel and Co.

Scottish

By Ray Perman, Scottish Correspondent

SCOTTISH financial institutions gave an entirely satis-factory response to the placing of Ferranti shares last week and bought a fifth of the equity on offer, Mr. Alex Fletcher, Scottish Industry Minister, said yesterday.

Scottish funds were criticised by Sir Arthur Knight, chairman of the National Enterprise Board. He said they had not been as enthusi-astic as expected, given the strong campaign from Scotland to persuade the Government to safeguard the company's independence.

Some institutions declined to take any shares because of the two-year restriction on sale imposed by the NEB at the Government's request.

Mr. Fletcher rejected any suggestion that Scotland had not played its part in taking up shares. Scottish funds had bought as much of the com-pany as their weight relative to City of London institutions would suggest they should have done.

"In their normal canny way Scottish institutions were reflective about the deal, but they took a fifth of the placing, which was a perfectly respectable share.

"They would possibly have taken more if a Scottish bank or broker had been involved in the placing. It might have been helpful to have someone with good local knowledge

The placing was made by Cazenove assisted by Green-well, Tilney, and Savory

Mr. Fletcher said the 530pa-share price had made some UK pension funds sceptical about the offer, in view of the two year embargo on sale. The fact that the offer had entirely been taken up indicated that

chosen a more sympathetic Anthony Wedgwood Benn's name is mentioned at other doubts about current Conservative gatherings.

doubts about current Conserva-tive Party ideology than this weekend's Tory Reform Group Almost all the discussions The 400 or so members at if it had not already done so. Warwick University would have

In one group, the chairman felt that, as their patron, Mr. Walker would have let the side began by demanding to know whether there was anybody pre-pared to defend the Govern-ment's line on industrial demodown if he had done anything but register dissent. The Tory Reform Group is cracy. A lone hand went up only to be withdrawn rapidly ment as you can get and stay in the Conservative Party, without slipping over the other side into the Liberals. It stands for Disraeli's "Oge Nation" and the "middle way." after the chairman had gazed discainfully at it as if at some nasty intruder from the Monday

Monetarism

The purpose of the meeting was to work " towards an alternative strategy." Asked what the strategy was supposed to be an alternative to, one delegate answered "Armageddon." A more frequent reply was strict

monetarism.

The alterative was not always clear. While one study group was dismissing a formal incomes policy as unworkable, another group next door was much keener on the idea.

As one delegate said, un-consciously echoing the frustration of some Ministers, "ours is a much more complicated message to get over than theirs."

MR. PETER WALKER, Agricul round the room in much the Generally, it was much easier ture Minister, could hardly have same way as when Mr. to agree on what would not chosen a more sympathetic Anthony Wedgwood Benn's work—free collective bargaining, for example.

ELINOR GOODMAN AT THE TORY REFORM GROUP CONFERENCE

'Wets' seek the middle way

There was also a general consensus about what was wrong began from the supposition that the Government was in danger about the need—as Peter of taking the wrong direction, Walker put it—to "balance" efficiency with compassion."
And, if this means doing some-And, it this means doing some-thing to help industry and safe-guard jobs, then this is a view which is beginning to be expressed by MPs who would finch at the label "wet."

Mr. Nicholas Scott, one of four backbenchers present, said the group had succeeded this year in "nudging the Govern-ment's door open." There were some delegates who agreed that the group had scored significant successes in spite of the countervailing tide of monetarism.

The decision to go for a settlement in Rhodesia which involved all the black groups, rather than only Muzorewa's, was seen as one victory for the group's line.

Other delegates pointed to recent Government decisions to help individual industries. Some said the group's higgest triumph was the fact that the Right had not succeeded in getting any said although they would hate to be identified publicly with it. said the group's higgest triumph was the fact that the Right had not succeeded in getting any out of the Employment Bill. now going to the Lords for its moment is act as a pretty small final stages.

But it has been the Right dog starts moving our way."

denerally, it was much easier which has been getting an the to agree on what would not work—free collective bargain party recently, on both the ing, for example. expenditure cuts: Friday's opinion poll, showing the Government only inst behind Labour in popularity in spite of escalating prices and unemployment, has hardly strengthe the hands of the doves in

Cabinet. "So what can we do to light the toads and help Jim Prior?" one delegate asked, summing up the immediate task for the future. The answer seemed to be to provide those MPs and Ministers arguing for a more flexible approach in Westminster with evidence that they are not alone.

Strategy

In the long term, it was hoped, the group would produce some coherent alternative strategy. But, judging by the papers to emerge yesterday all it can really hope to do is reflect the mood of a certain part of the party and hope the mood catches on

One organiser said there were "All we can do for the tail to the dog, and hope the

NEC Birmingham

Exhibition Centre, Harrogate

Wembley Conference Cer Kelvin Hall, Glasgow

Olympia Metropole Hotel, Brighton Newcastle University

Leisure Centre, Pontypool

EXHIBITIONS

Wellington, New Zealand

Pembroke College, Oxford

The City University

Duchess Mews. W1

Cannon Street: EC4

Cavendish Conference Centre

Lady Margaret Hall, Oxford University of Manchest

Wembley Conference Centre Heaton Mount, Bradford

Trinity Hall, Cambridge

Royal Lancaster Hotel, W2-Parker Street, WC2

Guildhall, Preston Moat Park, Maidstone

Johannesburg

Melbourne

Hamburg

Hamburg Chicago

Harrogate

Olympia -

Earls Court

FREE STATE DEVELOPMENT AND INVESTMENT **CORPORATION LIMITED**

(Incorporated in the Republic of South Africa) PROFIT ANNOUNCEMENT, BALANCE SHEET AND NOTICE OF FINAL DIVIDEND

Subject to final audit the abridged income statement of the Company for the year ended 30th June, 1980 and the abridged balance sheet at that date are as follows:—

ł	abridged balance sheet at that date a	•	:- -
	INCOME STATEM	FENT Year ended 30.6.1980 R000	Year ended 30.6.197 R000
	Income from listed investments Royalties and share of net mining profits	1,630 172	763 39
	Other income	1.826	24 826
	Dess: Administration expenses	68	63
ĺ	Net normal income for the year Add:	1,758	763
	Profit on realisation of invest- ments after reversing provisions for possible losses on future		•
J	realisation of investments	37	<u>91</u>
	Profit before taxation	1,795 35	854 —
	Profit after taxation	1,710 1,270	854 544
	Interim dividend No. 15 of 10 cents per share (1979; 3 cents)	363	181
l	Final dividend No. 16 of 25 cents per share (1979: 10 cents)	907	363
I		440	310
١	Add: Retained profit at 30th June 1979	3.421	3.111
	Retained profit at 30th June 1980	R3,861	R3,421
١	BALANCE SHE	ET Year	Year
		x ear ended 30.6,1980 R000	ended 30.6.1979 R000
	NET ASSETS: Listed investments—at cost less provision for possible losses on future realisations. Market value	2 620	

R5,676 R5,236 FINAL DIVIDEND NO. 16 A final dividend of 25 cents per share in the currency of the Republic of South Africa has been declared in respect of the year ended 30th June 1980. This dividend, together with Interim Dividend No. 15 of 10 cents per share declared in January 1980, makes the dividend declared out of profits for the year 35 cents (1979: 15 cents).

R27,149,000 (1979: R12,947,000) ...

Unlisted investments and mineral

Issued share capital

Loan portion of taxation ..

Net current assets

FINANCED BY:

Distributable reserve

and participation rights

The dividend is payable to members registered in the books of the Company at the close of business on 25th July, 1980, and is declared subject to conditions which can be inspected at or obtained from the Company's Johannesburg Office or the Office of the London Secretaries (Barnato

Office or the Office of the London Secretaries (Barnato Brothers Limited of 99, Bishopsgate, London EC2M 3XE). Subject to the said conditions, payments by the London Secretaries will be made in United Kingdom currency at the rate of exchange quoted by the Company's bankers on 11th August, 1980; provided that in the event of the Company's bankers being unable to quote such a rate of exchange on that day, then the currency of the Republic of South Africa shall be converted at the rate of exchange quoted by the Company's bankers on the next succeeding day on which such rate is quoted.

quoted.

Dividend warrants will be posted from either the Johannesburg Office or the Office of the London Secretaries, as appropriate, on or about 22nd August, 1980.

South African Non-Resident Shareholders' Tax at the rate of 15% and United Kingdom Income Tax will be deducted from

the dividend where applicable.

The Share Transfer Books and Register of Members will be closed from 26th July to 2nd August, 1980, both days JOHANNESBURG CONSOLIDATED INVESTMENT

Head Office and Registered Offices Consolidated Building Corner Fox and Harrison Streets Johannesburg 2001 (P.O. Box 590, Johannesburg 2000) 4th July, 1980

Seeking closer **EEC links**

AN EIGHT-MAN delegation from the North West Industrial Development Association will fly to Strasbourg today for a three-day visit to the European

The aim is to build closer

cuts, amounting to £1bn, to hold

next year's spending to the levels set out in the March White Paper.

Parliament.

links between the EEC and North West Euro MPs

Keith Joseph, Industry Secretary. At the mention of his the price bad been judged name a hiss of derision went

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

into operation by the end of month. after weeks of

The Trade Department has confirmed that the enabling Orders, which bring the Competition Act's main section into force, have been drafted and will be laid before Parliament 500n. The new powers enable the

Office of Fair Trading to invesanv anti-competitive practice by a single company or organisation. It can then refer the company to the Monopolies and Mergers Commission for a six-month probe.

against the public interest. Government

announced new powers a year ago, when it scrapped the Price Commission. The Act did not reach the Statute Book until April and the enabling Orders took weeks to draft. This led to speculation that

the Government was dragging ita feet because of pressure from industry which felt the new powers were too wide ranging. But this has strongly denied by Mrs. Sally Oppenheim, Consumer Affairs

ix-month probe.

laid before Parliament, the culties because
The Trade Secretary is then Office of Fair Trading may de- Opticians Act.

some 40 days.

But it may consider it im portant to get the first batch of four investigations under way inspite of the technical prob lems caused by the Parlimentary delay.

Among the first group of investigations, the supply of milk to retailers through the Milk Marketing Board is understood to be a strong candidate.

The office is unlikely to begin a formal probe immediately into the supply of spectacles through opticians. Preliminary investiga-Once the enabling Orders are tion has shown some legal difficulties because of the 1958

BUSINESSMAN'S DIARY

THE TRADE FAIRS AND EXHIBITIONS

	l	A	TRADE FAIRS AND	773
te	-	•	Title	
т	ent		Autumn 80 Lightshow (02488 396) (until July	10)
	8-10		Great Yorkshire Agricultural Show (0428 61550)) ⁽
	9-26		Royal Tournament (01-930 6009)	. :
	11-20		Taste of Asia Exhibition (01-272 4287)	200
-	15.16	*******	Exhibition and Conference on Micro Technological	
,	10 10		- MICROFAX (061-236 4612)	
	18-20	•	Motor Cycle Show (0384 56348)	
	20-24		Gift Fair (0282 867153)	
	22-24	*********	Microcomputer Show (0895 39262)	
<u>.</u>	14		Scottish Furniture Trades Exhibition (041 649 1	954)
Ř-	1-4	•••••	International Gifts Fair (01-855 9201)	
g.	3-7	******	Computer Graphics Exhibition (09274 28211)	<i>-</i>
	13-15		Computer Graphics Exhibition (99217 20211)	. ::
	14-25	*******	Ideal Home and Leisure Exhibition (0202 20327)	r Fair
g.	17-23	*****	Dittan monta moralmon	can .
			(01-855 9201)	
g.	20-23		Ideal Home and Trade Exhibition (06333 64538)

Modern Homes Exhibition (0253 54676)
Trade and Entertainments Exhibition (0689 38431)

OVERSEAS TRADE FAIRS AND

Current International Training and Educational Symposium and Exhibition—INSTRUCTA (01-486 1951) (until July 11) July 11-17 National Boat Show Anti-competition Orders drafted July 16-24 International Photogrammetry Trade Exhibition July 26-Aug. 3 International Photogrammetry Trade Exhibition (02013 4450)

Aug. 10-14 International Photogrammetry Trade Exhibition (02013 4450) National Hardware Show International Fisheries Fair International Exhibition of Agriculture and Food Industry-OMEC

Offshore North Sea Technology Conference and Stavenger Aug. 26-29

Exhibition
Aug. 30-Sept. 3 ... International Bridge and Structural Engineering Vienna

BUSINESS AND MANAGEMENT CONFERENCES

University of Bradford Management Centre: Sales
Management (Bradford 42299) (until July 11)
Institute of Personnel Management: The Work of
The Personnel Department (01-387 2844) BIM: Micros—The real costs and how to fund them Mount Royal Hotel, WI (01-405 3456) Institute of Chartered Secretaries: The Companies London Press Centre Act 1980 in Practice (01-580 4741)
The Plastics and Rubber Institute: Plastics on the Road (01-245 9555) ESC: Norwegian Taxation: A specialist conference for the oil and gas industry (057 282 2711) ASM: Inventory Control and the Microcomputer (01-385 1992) July 14-18 Course: Financial Management for the non-financial executive (01-621 1355) July 14-25 Oyez IBC: Estate Agents' Remuneration July 15 Property and get no commission? (01-242 2481) LCCI: Iraq (01-248 4444) Oyez-TBC: How to Cope with Personnel Problems (01-242 2481) Brunel Institute: Inter-Personal Effectiveness July 17-18

Workshop (0895 56461)
Oyez-IBC: The Language of the Law (01-242 2481).
The Institution of Civil Engineers: Flood Studies
Report—5 years On (01 222 7772)
Online: Microelectronic Applications (08274 28211) July 20-25 July 22-24 July 22-23 July 22-23 University of Bradford Management Centre: The Causes and Symptoms of Company Failure (Bradford 42299) Bacie: Introduction to Television in Training City University, London (01-636 5351) July 23 Compower Training School: Basic COBOL Cannock Staffs July 28-Aug. 15...

Bacie: Overseas (01-536 5351)
MSS: Inventory Management and Control Worthing (Worthing 34755)
LCCI: Middle East and North Africa Section "At Cannon St. EC4 Home " (01-24S 4444)

British Institute of Management: Effective Parker Street, WC2

Speaking—Practice and Coaching using Closed

Circuit TV (01-405 3456).

University of Western Ontario: The 1980 Inter-

oniversity of Western Ontario: The 1980 International Symposium on Solar Energy Utilization CCC: Practical Introduction-to UK Business Law (01-222 6362)

MSS: Principles of Work Study and Incentive Schemes (0903 34755)

CEI: International Financial Management Seminar The British Institute of International and Comparative Law; Multinational Corporations and the International Law Standard (01-636 5802)

FT Conference: Aerospace into the Righties and

FT Conference: Aerospace into the Eightles and Beyond (01-621 1355) BIM: Rapid and Efficient Reading (01-405 3456)

TSB BASE RATE

With effect from the close of business on Monday 7th July 1980 and until further notice TSB Base Rate will be 16% per annum.

TRUSTEE SAVINGS BANKS
Central Board,
P.O. Box 33, 3 Copthall Avenue, London EC2P2AB.

5,222

5.223

R5,236

3,421

COMPANY, LIMITED

5,659

R5,676

Habib Bank Limited

We are pleased to announce commencement of operations, from 7th July, 1980, in HONG KONG, of our subsidiary

HABIB FINANCE INTERNATIONAL LIMITED

502 Abdoolally House, 20 Stanley Street, Central, Hong Kong Hong Kong

Cable: PakHabib, Hong Kong, Telex: 61181 Telephone Nos. 5-215131 and 5-215132

Habib Bank Limited has a well spread, world wide network of branches, representative offices, associated companies and correspondents. We can help and advise you on all aspects of your business and provide all banking and related services to meet your personal and corporate requirements.

For all your international banking requirements, let Habib Bank serve you better.

HABIB BANK LIMITED

Head Office, Habib Bank Plaza, Karachi 21, Pakistan Paid-Up Capital and Reserves Rs. 502 million Deposits Rs. 23,169 million Total Assets Rs. 34,970 million

وكذامنالكم

Interest Rate Changes

Williams & Glyn's Bank announces that with effect from 7th July 1980 its Base Rate for advances is reduced from 17% to 16% per annum

Interest on deposits at 7 days' notice is reduced from 15% to 14% per annum.

WILLIAMS & CIYN'S BANK LTD 🔆

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Coutts & Co. announce that their Base Rate will be reduced from 17% to 16% per annum on 7th July 1980 until further notice.

The Deposit Rate on monies subject to seven days' notice of withdrawal will reduce from 15% to 14% per annum.

Call for Rail union draws detailed summit on plans to shut network the North's

BY PHILIP BASSETT, LABOUR STAFF

union, the National Union of level by district officers. Railwaymen, has drawn detailed plans for selective strike action A "SUMMIT conference" say it could shut the country's rail network. the economic problems of the North has been called for by

UK NEWS-LABOUR

problems

By John Lloyd, Labour Correspondent

the first six months of this year,

Mr. Joe Mills, regional secre

tary of the Transport and General Workers Union who proposed the summit, said that it should include industry, commerce, the banks, senior

civil servants, academics and

MPs of all parties, as well as

the trade unions.
"All of these organisations

have been making representa-

tions to Government on our high

rate of unemployment for many years now. The time has come

for all the organisations to speak

with one voice and say, enough is enough."

Benn hints

at wages

By John Lloyd, Labour Correspondent

MR. ANTHONY WEDGWOOD

BENN, the Labour Party's leading Left-winger, and former

Cabinet Minister, said yesterday

that the new type of consensus

which he wants to see between Government and the trade

unions would include a wages

Mr. Benn said on UTV's pro-

gramme Trade Union Power, that the consensus would involve

include investment and other

Mr. Benn saw this stage

and rejected by the unions.

policy

policy of sorts.

would not.

major partner.

the North Eastern council of the TUC. There are two reasons for the confidential plans. They are The call at the council's designed to be ready to support quarterly meeting at the week- a pay dispute over the "substan-end, follows the publication of tial" claim agreed last week by end, follows the publication of tial' the worst redundancy figures for the the union's annual conference in Guernsey. They could also be They showed that nearly used to combat any court decision affecting the union aris-20,000 workers were laid off in ing from the provisions of the Government's Employment Bill only a few hundred less than in the previous 12 months, and nearly 2,000 more than in 1978.

when it becomes law. Mr. Sid Weighell, NUR general secretary, warned con-ference delegates: "We may be faced next year with the need to take industrial action. This legislation is designed to curb us and inflict punishment on our families if we go on strike." Government officials are already concerned about the

the public services to use selec-tive action, especially against computer installations.

Details of the union's plans have been put together by senior union officials based on a series

tendency of unions in

Local officials were asked by Mr. Weighell to identify signal by key signalmen. Union leaders boxes in their areas which, if 180,000-strong membership.

in the area. The union represents about

likely to bear the brunt of selec-

tive action would be the 200 or so controlling the most important stretches of track. effect of withdrawing crucial signal staff can be gauged by the complete stop-page of all services earlier this year in and out of London's Paddington Station. Then, signalmen at the Old Oak Common

ing rosters.
Mr. Weighell said that if the signalmen at the selected list of boxes were withdrawn "we could stop the country."

hox between Paddington and

Hayes, Middlesex, were pulled

out over the alteration of work-

The union hopes to minimise the financial burden of any dispute over pay or the Employment Act by instructing only

BRITAIN'S BIGGEST rail of reports prepared at local this small number of workers to strike rather than using the blunter-and more expensiveweapon of action by the full

closed by striking operators,

British Rail is prepared to would have the maximum dis- ask its unions to ballot memruptive effect on rail services bers if union leaders fail to agree on proposals designed to improve railway productivity. 7,700 signalmen manning about The proposals were an integral boxes. The boxes most part of this year's 20 per cent deal for BR's 180,000 main-line

> While senior BR officials recognise that such a determined stand over the productivity improvements to freight, parcels administrative services could lead to confrontation, they are prepared for the rail network to be shut by industrial action in their efforts to see the changes implemented.

> Sir Peter Parker, BR chairman, and other board members were particularly displeased with reports of a speech made by Mr. Bill Ronksley, ASLEF president, at the union's conference. Sheffield Ronksley was reported as cast ing doubt over the union' acceptance of the productivity proposals, calling

Robin Reeves on Welsh Miners' Fears

Call for help from the pits

SOUTH WALES miners see of the National Union of Mineworkers in Eastbourne as one of the most important in their long, turbulent history.

Mr. Emlyn Williams, South Wales Miners' president, and the rest of his delegation arrive with a demand from the coalfield's 26.000 miners for industrial action should the National Coal Board attempt to close pits because of loss of

Anything less than a solid endorsement of this longbroadening collective bargainstanding policy by the rest of ing from merely wages to the British miners will be regarded as a serious setback aspects of corporate policy. He said it would include to South Wales's prospects of fighting off pit closures and wages as part of the collective redundancies.

bargaining process. But it would not isolate wages and say Last year's NUM conference in if you control wages, the Guernsey was notable for the would recover - it Welsh miners' appeal for a flexing of industrial muscle against the threatened closure the consensus as one in which of Deep Duffryn colliery ir Mid-Glamorgan. They got it, Labour was "an equal partner" with business. In the next stage, Labour would be the but when they had soueezed an extra £500.000 out of the NCB The previous stage had seen to explore a new face at the pit, the geology proved unit as the junior partner, where incomes policies were imposed favourable and the Deep Duffryn colliers themselves evenfrom above by both Labour

tually gave up the fight three But this time the South Wales fears seem justified. Although the Coal Board has officially announced the closure of only one pit-Tymawr Lewis Merthyr in the Rhondda-it is clear that

many more are threatened. Pressed by the Commons Committee on Welsh Affairs in May, Mr. Philip Weekes, the NCB's South Wales director, admitted that of the 35 remaining South Wales collieries, six employing 4.200 men would need to be closed in the near future to cut mount-

ing financial losses. Moreover, if the NCB proved unable to extend the special subsidy it has extended to coking coal this year, six more collieries employing the same number would also have to elose. Among them, these pits were now losing up to £20 a tonne, or a total of £35m a year. "They are the great albatross around the neck of the South Wales coalfield," Mr.

Weekes said. Since he spoke the outlook has become even bleaker. The overriding reason for the South Wales coalfield's suddenly deteriorating finances is the drastic curback in the Welsh Steel industry. BSC's decision to halve steel production at Port Talbot and Llanwern and rely entirely on imported coking coal at Port Talbot has already reduced the market for South Wales coking coal by

1.7m tonnes in a full year. Now there is evidence that one of the first acts of Mr. Ian MacGregor. BSC's new chairman, could be to close one of the two works. And if, as seems more likely, Llanwern is axed (it has no deep water port) this will wipe out the market for 1.4m more tonnes of coking coal, boosting the number of threatened pit closures to 20 and redundancies to 15,000.

In addition, a £40m capital injection required to modernise the phunicite plant in the Cynon valley looks unlikely to be obtained. This means the plant, and the four pits which supply it with coal for processing, will have to be run down gradually over the next few years, wiping out another 5.000 jobs.

Seeing this scenario unfolding Wales TUC leaders issued their call last Christmas for an allout strike in the steel, coal and transport industries from January 21 — to obtain a twoyear delay in the steel rundown.

This display of Welsh initiative was firmly sat upon by the British TUC leadership in London, whereupon Mr. Williams and his executive attempted to "recover the posiby going it alone and calling out the miners alongside the striking steelworkers. Mr.

an act of political confrontation. We shall be missing the boat if the steelworkers go back to work and are defeated on jobs," he said at the time.

In the event the strike call was rejected, and with it col-lapsed all resistance to BSC's Even so, Mr. Williams is con-

fident his miners will answer the call next time. He interprets the rejection as a a refusal to go it alone. Others have suggested the miners thought were coming out a few weeks later anyway. Whatever the reason, because of the February debacie, an unprecedented campaign of "education" was mounted this time at pithead meetings of every shift to secure the anti-closure mandate for the conference.

Mr. Williams says events too are strengthening his case. His men have been shocked at the inability of the Coal Board to redeploy more than 50 per cent of miners at other pits.

That said, the Welsh miners clearly need the support of the conference, if they are to sus-tain their militant stance against pit closures.

Company N.V.

most affected, the contraction of the steel industry and increased cheap coal imports from the U.S., Australia and South Africa also threaten to take their toll of pits in other coalfields, particularly now that the Government has decided in the new Coal Bill to phase out production subsidies by 1983- "Arthur Scargill's statement that 50 pits are in danger has never been really repudiated. Mr. Williams adds.

When the crunch will come however, is still uncertain. Tymawr Lewis Merthyr colliery is being investigated by two mining engineers representing the two sides of the industry to see if productivity can be im-proved — a compromise formula put forward by Mr. Joe Gormley, the NUM president In the meantime, the review of 11 other pits is hanging fire. Indeed, manoeuvrings by the NUM the NCB and, behind the scenes the Government, could continue for many months.

But it is difficult to see how in the long run a confrontation will be avoided. The Welsh miners simply feel they have their backs to the wall and are ready to fight.

TENDERS MUST BE LODGED NOT LATER THAN 10,00 A.M. ON WEDNESDAY, 9TH JULY 1980 AT THE BANK OF ENGLAND, NEW issues, watling street, london ecam 9AA or not later THAN 3.30 P.M. ON TUESDAY, 8TH JULY 1980 AT ANY OF THE BRANCHES OF THE BANK OF ENGLAND OR AT THE GLASGOW agency of the bank of england, tenders must be in SEALED ENVELOPES MARKED "TREASURY TENDER."

ISSUE OF £1,000,000,000 ---

12 per cent TREASURY STOCK,

MINIMUM TENDER PRICE £96.00 PER CENT

PAYABLE AS FOLLOWS:

£20.00 per cent Deposit with tender £30.00 per cent On Friday, 15th August 1980 On Friday, 12th September 1980 Balance of purchase money

> INTEREST PAYABLE HALF-YEARLY ON 3RD MAY AND 3RD NOVEMBER

This Stock is an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961. Application has been made to the Council of The Stock Exchange for the Stock to be admitted to the Official List.

has been reserved for the National Debt Commissioners for public funds under

The principal of and interest on the Stock will be a charge on the National ans Fund, with recourse to the Consolidated Fund of the United Kingdom.

The Stock will be repaid at par on 3rd November, 1987.

The Stock will be registered at the Bank of England or at the Bank relend, Belfast, and will be transferable, in multiples of one new penny. Instrument in writing in accordance with the Stock Transfer Act 1963. Transfer

Interest will be payable half-yearly on 3rd May and 3rd November. Income tax will be deducted from payments of more than £5 per annum. Interest werrants will be transmitted by post. The first payment will be made on 3rd November 1980 at the rate of £2.4425 per £100 of the Stock.

Tenders must be lodged not later than 10.00 a.m. on Wednesday, 9th July 1980 at the Bank of England, New Issues, Watling Streat, London, EC-IM SAA or not later than 3.30 p.m. on Tuesday, 8th July 1980 at any of the Branches of the Bank of England or at the Glasgow Agency of the Bank of England. Each tender must be for one amount and at one price. The minimum price, below which tenders will not be accepted, is £96.00 per cent. Tenders must be meder at the minimum price or at higher prices which are multiples of 25p. Tenders lodged without a price being stated will be deemed to have been made at the minimum price.

A separate cheque representing a deposit of £20.00 per cent of the mamount tendered for must accompany each tender; cheques must be drate a bank in, and be payable in, the United Kingdom, the Chennel Islands is the man and the chennel Islands are the must be in scaled envelopes marked "Treasury Te

Amount of Stock £100-22,000 £2,000-£5,000 £5,000-£20,000 £30,000-£100,000 £100,000 or greater

Her Majesty's Treasury reserve the right to reject any tender or to allot a less amount than that tendered for. It undersubscribed, the Stock will be allotted at the minimum price, the balance of Stock not tendered for being allotted at the minimum price to the Governor and Company of the Bank of England, Issue Department. It oversubscribed, all allotments will be made at the lowest price at which any tender is accepted (the allotment price), and tenders accepted at prices above the allotment price will be allotted in full.

Latters of allotment in respect of Stock allotted, being the only form in which the Stock may be transferred prior to registration, will be despatched by post at the risk of the tenderer, but the despatch of any letter of allotment, and any refund of the balance of the amount paid as deposit, may at the discretion of the Bank of England be withheld until the tenderer's cheque bas been paid. In the event of such withholding, the tenderer will be notified by letter by the Bank of England of the acceptance of his tender and of the amount of Stock allocated to him, subject in each case to payment of his chaque, but such notification will confer no right on the tenderer to transfer the Stock so allocated.

No allotment will be made for a less amount than £100 Stock, in the event of partial allotment, the balance of the amount pard as deposit will, when refunded, be remitted by cheque despatched by post at the risk of the tenderer; if no allotment, is made the amount poid as deposit will be returned likewise. Payment in full may be made at any time after allotment but no discount will be allowed on such payment. Interest at the rate of 1 per cent per annum over the Bank of England's Minimum Lending Rate on a day-to-day basis may be charged on any overdue amount which may be accepted. Default in due payment of any amount in respect of the Stock will render the allotment of such Stock liable to cancellation and any amount previously paid hable to forfeiture.

Letters of allotment may be split into denominations of multiples of £100 on written request received by the Bank of England, Now Issues, Wading Street, London, ECAM SAA, or by any of the Branches of the Bank of England, on any date not later than 10th September 1980. Such requests must be signed and must be accompanied by the letters of allotment (but a letter cannot be split if any instalment payment is overdue).

Letters of allotment must be surrendered for registration, accompanied by a completed registration form, when the balance of the purchase money is paid unless payment in full has been made before the due date, in which case they must be surrendered for registration not later than 12th September 1920.

Tender forms and copies of this prospectus may be obtained at the Bar Branches of the Bank of England, or at the Glasgow Agency of the Bank of England; at the Bank of Ireland, P.O. Box 13. Donegali Place, Bellast, BT1 5BX; at Mullens and Co., 15. Moorgate, London, EC2R 6AN; or at any office of The Stock Exchange in the United Kingdom. BANK OF ENGLAND, LONDON 4th July 1980.

THIS FORM MAY BE USED TENDER FORM

form must be lodged not later than 10.00 s.m. on Wednesday, 9th July at the Bank of England, New Issues, Watling Street, London, EC4M 9AA or later than 3.30 p.m. on Tuesday, 8th July 1980 at any of the Branches of the k of England or t the Glasgow Agoncy of the Bank of England. Tenders t be in sealed envelopes marked "Treasury Tender".

ISSUE OF £1,000,000,000

12 per cent Treasury Stock, 1987

MINIMUM TENDER PRICE £96.00 PER CENT

TO THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND

NOMINAL AMOUNT OF STOCK

1130-52,990 62,000-65,003 25,000-620,000 520,000-6100,000

AMOUNT OF DEPOSIT (b)

TENDER PRICE (a)

my/our risk to me/us at the address shown below.

PLEASE USE BLOCK LETTERS MR/MRS **FULL POSTAL** POST-TOWN POSTCODE

tiple of 25p and not less than the minimum tender price. If no price is stated, this tender will be deemed to have been made at the minimum tender price. Each tender

pany each tender. Cheques should be made payable to "Bank of England" and crossed "Treasury Stock". Cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.

STAMP OF LODGING AGENT

BANK OF SCOTLAND

Lloyds Bank

Interest Rates

Lloyds Bank Limited has reduced its Base Rate

from 17% to 16% p.a. with effect from

Monday 7th July 1980.

The rate of interest on 7-day-notice Deposit accounts

and Savings Bank accounts is reduced

from 15% to 14% p.a.

The change in Base Rate and Deposit account

interest will also be applied from the same date

by the United Kingdom branches of

Lloyds Bank International Limited

and by

Lewis's Bank Limited

The National Bank of New Zealand Limited

that, as from 7th July, 1980 and until further notice, its Base Rate will be decreased from 17% per annum to 16%

LONDON OFFICES—DEPOSITS

The rate of interest on sums lodged for a minimum period of 7 days will be 14% also with effect from 7th July 1980

Base Rate

The Bank of Scotland intimates per annum.

Standard Chartered

LEVERAGED CAPITAL HOLDINGS N.V.

Curação, Netherlands Antilles

Notice of Annual General Meeting of Shareholders

Notice is hereby given that an Annual General Meeting of Shareholders of Leveraged Capital Holdings N.V. has been called by the Manager, Intimis Management

The Meeting will take place at the offices of the Company, John B. Gorsiraweg 6, Curação, Netherlands Artilles on 28th July, 1980 at 10.00 a.m.

The Agenda contains a proposal recommended by the

Supervisory Board, to amend Article IV sub a of the Articles of Incorporation of the Company in such a way that the authorized capital of the Company is raised from US \$ 750,000.- to US \$ 1,500,000.- The full Agenda, the Annual Report for 1979 and further details

may be obtained from the offices of the Company or

Shareholders will be admitted to the meeting on

presentation of their certificates or of vouchers, which

may be obtained from the Paying Agent against delivery of certificates on or before 21st July, 1990

INTIMIS MANAGEMENT COMPANY N.V.

from Paying Agent mentioned hereunder.

Willemstad, 7th July, 1980

Pierson, Heldring & Pierson N.V.

Paying Agent

Amsterdam

Herengracht 214

announce that on and after 7th July, 1980

its Base Rate for lending is being decreased from 17% per annum to 16% per annum

The interest rate payable on deposit accounts subject to seven days notice of withdrawal will be decreased from 15 per cent to 14 per cent per amum.

Standard Chartered
Bank Limited

Simon Engineering Board post for Sir Leslie Murphy

Sir Leslie Murphy has been appointed to the Board of SIMON ENGINEERING as a non-executive director. Sir Leslie was chairman of the National Enterprise Board from 1977-79.

Mr. P. E. Gough, production appointed a non-executive director of W. CARNING Since sales manager have been appointed a non-executive director of W. CARNING Since 1974 he has been a director of BORDER in with responsibility for oversell the control of the contro

BARING BROTHERS ASIA division.

has made the following changes: Mr. A. M. L. Tuckey has taken Mr. A. M. L. Tuckey has taken over as chairman from Mr. N.H. Baring, who remains on the Board Mr. P. G. R. Bodds. has succeeded Mr. J. Fawthrop as banking director and Mr. J. E. Heskett has succeeded Mr. C. L. A. Irby as corporate finance director, both resident in Hong Kong. Mr. A. M. Smith, at present resident in Malaysia, a has been appointed a director. has been appointed a director.

Mr. J. Fawthrop and Mr. C. L. A.

Irby have returned to Baring

Brothers in London.

Mr. H. R. Ancock, aviation has also found the bound as a underwriter and Mr. C. E. B. For non-proportional treaty reinsurance underwriter, have been appointed to the Board of ROBERT has been made group managing director.

CIES) the underwriting management subsidiary of Manster Inment subsidiary of Minster Insurance Company.

Sir Edward Singleton has be Steinberg and Mr. N. A. Stati-come chairman and Mr. John berg, directors of STONEHULL Swanborough, group managing HOLDINGS.

LAW STATIONERY SOCIETY. Mr. R. A. Hodges is to resign as: chairman and group managing

Dr. Trevor Lamb Has been

Mr. Norman J. Smith has been appointed chairman of BRITISH UNDERWATER ENGINEER-ING, succeeding Mr. John Spiers who remains on the Board as non-executive director. Mr. Roger J. Kendrick has been made managing director in place of Mr. David Sadler and Mr. Alan C. Milton becomes technical director.

Mr. B. J. Taylor has been appointed assistant managing director of BLOCKLEYS following the retirement of Mr. A. H. Jones. Mr. J. W. H. Shepherd has been made a director.

Mr. Alan G. Smith has been appointed deputy chairman of PERCY BIL/TON and continues as joint managing director.

Mr. Trevor Mawby, company secretary has been appointed the board of Walting LAWRENCE Mr. Donald Meyen

Mr. A. C. Landsman has be-come financial director sod conpany secretary, and Mr. J. L Steinberg and Mr. N. A. Stein-

INSURANCE

The lengthening tail of potential liability

BY OUR INSURANCE CORRESPONDENT

THE TAIL of potential liability out who his insurers were an grows even longer with the ask them to handle the claim, development of medical If his records have been lost research, the increase in com- or destroyed, he may not be able. research, the increase in com-

research, the increase in compensation-consciousness and the relaxation of the time rules for making legal claims.

In recent years the courts have had to deal with a growing number of compensation claims for industrial dermatitis pneumoconiosis, deafness and cancer arising from previous decades. Some claims had their origins in wartime processes and conditions, and conditions.

For employers, their lawyers time and not acceptable, and insurers there is a constant flow of judicial comment, seem to accept old claims where but still a high degree of the employer can prove he had uncertainty.

claim from a sometime employee, arising, say, out of working conditions in the early 1960s, cannot turn to his present employer's liability insurers and ask for protection.

Almost without exception, insurers provide cover in terms such as these: "The contrary will indemnify the policyholder in respect of all sums which he will become legally liable to pay as compensation for bodily injury (including disease) & tained out of and in the course of his employment by any

Cover exists only for injury sustained or disease contracted processes and claims experience: during the year of insurance. When the employer gets a claim mally required as the back-relative to the early 1960s, he ground for providing Hamily must turn to his records, find

date is a claim made out of

In practice, however, insufers insurance. Employer's liability insurers are now being asked to add retrospective insurance their events occurring · to policies.

Arguably, any risk is insurable at a price. But the gior for providing retrospective cover must be high, even where the employer has not bee volved in any hazardous process known so far to be productive of a volume of long tail claims; and has a good claims record in current terms. Who knows what new causes of compensation claim can be discovered?

Market comments make it clear that retrospective coyer employee during the period of must be hard to come by obtainable only after indepth information to insurers on past and over much longer than nor-

		. 7 (0)	MINTEL II	UCABLE O	OLZI	14114 1700			
Are you more or less optimistic about your company's prospects than you were our months ago?		Mar June	Feb May %	Jan Apr. %	Dec Mar. %	elec.)	Chems. & Oils %	Shipping & Transport %	
More optimistic	· · ·	23	25	24	18		5	20	
Neutral	- ; .	. 35	: 37	34	34	24	21	37	
Less optimistic		42	38	42	48	76	74	36 ∶	

C Statistical Material Copyright Taylor Nelson Group Ltd.

since he started in business 32 years ago. However, there was rather more optimism in the shipping	EXPURI PROSPECTS (MEISUCE		Orts)		iotai		June 198	X 0
sector, partly on anticipation of reflationary measures in the U.S. The index of optimism over the UK economy also showed a		Mar- June %	Feb. May %	Jan Apr.	Dec- Mar. %	Eng. (non- ele<.)	Chems. & Oils %	Transport
fall after two successive in-	Higher	49	45	49	47.	36	62	51
gresses. This was mainly be-	Same	18	21	22	29	34	17	1 -
cause of depressed confidence in engineering and shipping and	Lower	30 :	32	27	. 22	22	21	48
engineering and surphing and	Don't know	3	`2 :.	. 2	2	8 .		~ <u> </u>

ORDERS AND OUTPUT

GENERAL OUTLOOK

The general level of confidence in industry fell again in June

after two successive months in which companies had declared

themselves more optimistic. The index registering the overall tenor of business opinion thus

came down again to near the

very low levels reached at the end of 1979.

The three groups of com-panies interviewed for the June

survey — engineering (non-electrical), chemical and oil companies and the shipping and transport sector — all said they were less optimistic than they had been when last surveyed in

The onset of recession, a drop

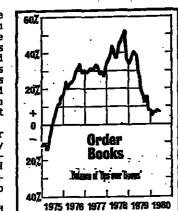
Further drop in orders

Confidence drops again

Industry appears to have been hit by a further drop in orders received last month. The new orders index, which was already at a severely depressed level fell again. There was little change in the indices covering recent deliveries and the level of order books, which had also shown a significant slump in recent months.

engineering sector reported a particularly depressed orders position. De-stocking by customers as well as a fall-off in capital investment have both contributed to a drop in demand.

All three sectors expected the next 12 months than they



Deliveries

1975 1976 1977 1978 1979 1980

had done in February.

One engineering company said it was unable to forecast order-book levels as the rate of dropped orders by customers chaotic.

in order levels, high interest

rates and the strong pound featured among industry's main

list of complaints. One respondent in the chemicals and oil group said the situation was as

bad as it had been at any time

In the chemical sector, the uncertain exchange rate was said to be particularly affecting pharmaceutical companies. Somewhat against the gen rally pessimistic trend, all thre sectors expected the value

exports to increase during the next 12 months. Although the strong pound was still affectin overseas sales, several companies thought the UK rece sion might allow more promi ing markets to be explored i

NEW ORDERS

GENERAL BUSINESS

FT Monthly Survey of Business Opinion

	- P I I	юпину п	MANUS COLES	Idile ives			
The trend of new orders in the last 4 months was:	Mar June	Feb May	jan Dec Apr. Mar. % %	Eng. (non- Chemic elec.) & Oils % %	Shipping L & Transport %		
Up	32	36	34:.35	6 29	49		
Same	18	20	21 19	28 —	24		
- Down	20	19	17 15	52 31	<u> </u>		
No answer	30	25	28 31	14 40	27.		

PRODUCTION/SALES TURNOVER

		4 monthly moving total				June 1780			
hose exp	nose expecting production/sales turn- er in the next 12 months to :	Mar- June %	Feb May %	Jan Apr. %	Dec Mar.	Eng. (non- elec.) %	Chems. & Oils %	Shipping & Transpor %	
	Rise over 20%	3	5	6	6		3	<u> </u>	
	Rise 15-19%	4	7	6	5	6	<u> </u>	<u> </u>	
	Rise 10-14%	4	5	13	14				
	Rise 5-9%	21.	21	22	20	1_	14	15	
	About the same	57	54	47	46	62	65	73	
	Fall 5-9%	ī	1	1	0				
	Fall over 10%	. 3	7	1	1_	28			
	No comment	7	. 4	6	8	3	18	12	
	Median change	3,6	4.2	4.8	4.9	0.8	1.6	3.5	
	Median change	3.6	4.2	4.8	4.9	8.0		1.6	

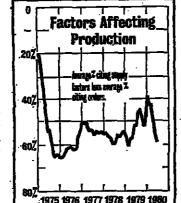
CAPACITY AND STOCKS

Companies working below target

More than half the companies interviewed in the chemicals/ oil and shipping/transport sectors reported that they were working below target capacity.

Nearly half the firms in the engineering sector also gave this answer. As a result, the index of the percentage of companies working at planned output levels or above has started to fall after holding up quite well during the past few

More companies reported that their stock levels were



generally too high. This was felt particularly by the chemicals and oils sector.

The general response was however, that levels of stocks of raw materials and components and manufactured goods would probably increase over the next 12 months. The volume of work in progress was expected to remain unaltered.

Among factors affecting proall three sectors reported that output was being hit by a shortage of home orders. There was a reduction in the percentage saying that output was affected by shortages of skilled factory staff.

STOCKS

	4 m	noving to	otal	june 1 980 .			
Raw materials and components over the next 12 months will:	Mar June %	Feb May %	jan Apr. %	Dec Mar. %	Eng. (non- elec.) %	Cherrs. & Oils %	Shipping & Transpor %
increase ·	31	34	29	22		_19	'12
Stay about the same	40	36	33	35	37	53	61
Decrease	25	23	29	31	63	28	24
No comment	4	7	9	12_			3
Manufactured goods over the next 12 months will:							
Increase	19	22	19	18		9.	24
Stay about the same	46	45	40	36	42	58	37
Decrease	19	18	23	- 22		30	
No comment	16	15	20	24	58	3	39
	كالبيد التابعي				_		

FACTORS CURRENTLY AFFECTING PRODUCTION

•	4 m	4 monthly moving total					30 ·
	Mar June %	Feb May %	Jan,- Apr. %	Dec Mar. %	Eng. (non- elec.) %	Chems. & Oils %	Shipping & Transport
Home orders	85	80	76	73	94	97	100
Export orders	48	50	44	43	80	60	73
Executive staff	9	9	12	11			
Skilled factory staff	15	19	24	27	31	3	. 12
Manual labour	0	2	4	5	3_		
Components	1	6	11	11			· -
Raw materials	15	19	19	17		-	24
Production capacity (plant)	9	11	11	12	17	1	49
Finance	1	2 .	2	2			
Others ·	8 .	11	12	12		14	
Labour disputes	16	26	32	35		3	
No answer/no factor	. 8.	8	7	2	6		

CAPACITY WORKING

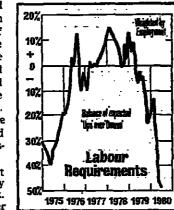
	4 monthly moving total					June 1980		
	Mar	Feb]an	Dec	Eng. (non-	Chems.		
	June %	May %	Apr. %	Mar. %	elec.) %	& Oils %	Transport %	
Above target capacity	6	6	7	9	34			
Planned output	62	68	66	63	20	39	24	
Below target capacity	31	25	26	26	46	61	73	
No answer	1	1	1	2				

INVESTMENT AND LABOUR

More lay-offs expected

their workforces further in coming months as a result of the general corporate squeeze and slump in demand. The index registering expected labour requirements dipped again last month following the very sharp fall recorded in May. It has now dropped to some way below the point registered at the trough of the 1975 reces-

The shipping and transport sector was particularly gloomy about the employment outlook. Shortages of demand rather



than supply-side factors are now clearly blamed by respondents for the expected need to prune their labour forces.

The index covering the outlook for capital spending recovered slightly last month following the rise in May. Chemicals and oils were more restrained than the other two sectors about investment pros

As far as capital require ments are concerned, companies reported slightly more use of various types of outside finance such as overseas borrowing acceptance credits and term

in 11 industrial sectors

chased from Taylor Nelson and

LABOUR REQUIREMENTS (Weighed by employment)

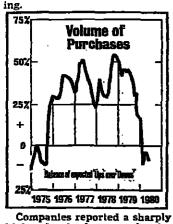
			noving t	otal		30	
Those expecting their labour force over the next 12 months to:		Feb May	jan Apr. %	Dec Mar. %		Chems. & Oils %	Shipping & Transport %
 Increase	6	6	. 15	16	6	5	
Stay about the same	36	35	36	37	56	39	32
Decrease	_ 55	53	43	41	38	56	68
 							

					June	-
Mar June %	Feb May	jan Apr. %	Dec. Mar. %	Eng. (non- elec.) %	Chems & Oils %	
31	30	26	28	13	51	7
	22	19	15	6	31	
16	14	12	12	50	17	
34	32	36	33	31	ĭ	93 .
1	2	7	12	_	_	
	Mar june % 31 18	Mar Feb june May % % 31 30 18 22 16 14 34 32	Mar Feb jan june May Apr. % % % 31 30 26 18 22 19 16 14 12 34 32 36	June May Apr. Mar. % % % % % % % % % % % % % % % % % % %	Mar Feb jan Dec (non- june May Apr. Mar. elec.) % % % % % 31 30 26 28 13 18 22 19 15 6 16 14 12 12 50 34 32 36 33 31	Mar Feb jan Dec (non- Cherns, june May Apr. Mar. elec.) & Oils % % % % % % % % % % % % % % % % % % %

COST AND PROFIT MARGINS

Inflationary pressures build up

in which cost and price increases had appeared to be moderat-



higher level of expected price accounts for about 60 per cent increases over the next 12 of all public companies.

Inflationary pressures on months, with the median. The all-industry figures are industry appear to be building expected figure working out at four monthly moving totals up again after several months 151 per cent. At the same time, covering some 120 companies the level of forecast cost increases rose to its highest point since January, 1976, with the median rise over the next 12 months put at 15½ per cent.

The median expected rise in wages was unchanged at around 171 per cent. But all three sectors felt that other costs would rise more steeply.

The index measuring pro-jected profit margins fell back for the second month running. These surveys, which are carried out for the Financial Times by the Taylor Nelson Group, are based upon extensive interviews with top executives, Three sectors and some 30 companies are covered in turn every month. They are drawn

from a sample based upon the

FT Actuaries' Index, which

Total Unit Cost: 1975 1976 1977 1978 1979 1980 (mechanical engineering is surveyed every second month).
Complete tables can be pur-

COSTS

		4 M	onthly m	MANUE 34	erage		June 178	AD
/ages rise by :		Mar June %	Feb May %	Jan Apr. %	Dec Mar. %	Eng. (non- elec.) %	Chems. & Oils %	Shipping & Transport
	10-14%	13	11	13	17	21	. 44	
	15-19%	66	68	64	56	55	37	.73
	20-24%	15	13	14	16	23	16	24
	No answer	6	8	9	11	1	3	3
nit cost rise by:	0-4%	4	4	5	5		_	
	5-9%	4	5	6	3			
	10-14%	30	37	30 .	31	7	16	
	15-19%	42	32	30	31	67	73	78
	- 20-24%	5	4	7	. 9	20		
	25-29%	0					1	
	No answer	15	18	22 _	21	6	10	2
DOELT MADOUNG								

PROFIT MARGINS

	4 m	onthly m	oving a	rerage		Jrtine 125	RD-
Those expecting profit margins over the next 12 months to:	Mar June %	Feb May %	Jan Apr. %	Dec- Mar. %	Eng. (non- elec.) %	Chems. & Oils %	
improve	42	43	46	36	2.8	36	3
Remain the same	27	28	27	34	42	- 6	73
Contract	28	25	23	26	30	58	
No comment	3	4	4	4			24

	4 m	ionthly n	noving to	otal	_	30 ·	
e expecting their labour force over	Mar June %	Feb May	jan Apr. %	Dec Mar. %		Chems. & Oils %	Shipping & Transport %
Increase	6	6	. 15	16	6	- 5	
Stay about the same	36	35	36	37	56	39	32
Decrease	_ 55	53	43	41	38	56	68
No comment	3	6	6	6	_		

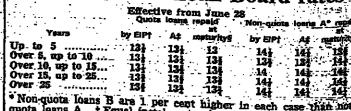
CAPITAL INVESTMENT (Weighed by capital expenditure)

Those expecting the next 12 mo	g capital expenditure over anths to:	Mar June %	Feb May %	jan Apr. %	Dec. Mar. %	Eng. (non- elec.) _%	Chems. & Oils %	Shipping & Transport %
	Increase in volume	31	30	26	28	13	51	. 7
:	lncrease in value but not in volume	78	22	19	15	6	31	
	Stay about the same	16	14	12	12	50	17	
	Decrease	34	32	36	33	31	ĭ	93
	No comment	1	2	7	12			
								-



BASE LENDING RATES

Public Works Loan Board rates



Non-quota loans B are 1 per cent higher in each case than non-quota leans A. † Equal instalments of principal. † Repayment by half-yearly annulty (fixed equal half-yearly payments to include principal and interest). § With half-yearly payment of interest only.

Dredger will also collect oil

DUE TO be launched at IHC's is sumped through flexible hoses. Smit Yard at Kinderdijk, to the vessel's 5,375 cubic metre. Holland, on July 11 the com-hopper and to additional storage. pany's latest dredger the Cosmos has been designed also to act as an oil recovery vessel: The company says that when

the vessel is used for harbour when on oil recovery duty it extends two "sweeping arms."
During oil skimming a forward speed of up to 2 knots is main-180,000 square metres of sea surface an hour can be cleaned.

Mades to hydranically-operated owned by Holland Dredging pumps which have a capacity of Company, Royal Bos Kalis—1,000 cubic metres of oil/water Westminster Group NV and mixture per hour. The mixture Royal Volker Stevin NV.

Smith

Smith 100 and 100 and

and-max by cureer-or are the last Mr. N. A. a. c. STORE

មារីសាសាស្រ ប្រើប្រជាព

tanks holding 960 cubic metres.

Time for mobilisation of the vessel for oil recovery is the vessel is used for national surface it recovery equipment instance operates as an ordinary trailing if dredging, the vessel can dump its load and head for the oil its load and head for the oil spill area, where it can operate at wave heights of 1.5 metres.

This combined maintenance tained to clear of 50 metres wide dredger and oil recovery vessel path. It is claimed that about is 113.6 metres long has a beam of 20 metres and top speed of 13.7 knots. It will be owned by Surface oil caught by the Cosmos Dredging v.o.f. of Hook booms is guided by collector of Holland which in turn is blades to hydraulically-operated owned by Holland Dredging

• IN THE OFFICE **Lettering machine**

ENGINEERS AND architects in PO Box 43716. St. Patrl. the UK are offered an inexpensive, desk-top lettering machine (supplied in electric or manual on the KroyType 80 to obtain form) which produces "type on the required letter or symbol-

manent dry-carbon lettering in word or line and the operator

Minnesota 55164, USA.

The user rotates the typedisc on the KroyType 80 to obtain tape "in a wide range of type- then pushes a button. Propor faces and sizes.

Untrained personnel can tional letter spacing is automatic and adjustable. Push of a second button releases the a choice of colours on self- then has only to remove the adhesive opaque, transparent or backing and press the tape into special diazo translucent tape, position on the engineering or says maker Kroy Industries, design drawing.

• INSTRUMENTS

Easy way to freeze motion

and also has strope facilities.

the other (fed from a second quartz halogen source) is strobed at variable frequency. This means that rotating and reciprocating mechanisms can be observed — even in the most inaccessible places—in "frozen" motion. Speeds from 500 to 5600 strobe flashes a minute are accommodated by the standard fibre strobe, but the range 1000 to 11200 is available to special

EFP can also supply an Le.d./ photocell trigger that will keep the lamp frequency locked on to mechanisms of varying speed. Lamp life can be extended to as much as 2500 hours by Rew, Surrey TW9 4DB. 01-87 under-running, making use of 2204.

FIBRE STROBE is a cold-light a solid-state control that gives unit from Edward Fletcher and a continuously variable light Partners which delivers a output down to 30 per cent. The powerful beam through its lamps themselves are rated at flexible fibre-optic light-guide 150 watts, 15 volts, are fitted with with integral dichroic One output connection gives mirrors, and cooled by silent-steady quartz halogen light, and running ducted centrifugal running ducted centrifugal blowers.

The two light-guide connec tors on the unit front pane are standard ACMI female types with spring-loaded slide action. When not in use they are blanked off by automatic anti dazzle shutters. Total electrical consumption of the unit is about 230 VA, from an input that may be 110 V 60 Hz or 230 V 50 Hz.

Measuring 225 mm by 215 mm by 145 mm (8.8 by 8.4 by 5.7 in). the fibre strobe cold-light unit weighs 4.4 kg (9.68 lb).

EFP at 25 West Park Road,

SERVICES

Problems with plastics

MINOR MOULDING problems. The PED/SRC grant of in plastics processing can often £25,850 will be spread over four quickly be solved by using years on a decreasing scale simple optical microscopy. But after which the scheme is exthose most likely to need to use pected to become self-financing the technique usually have in the form of a consultancy. neither the equipment nor the

Research Council's Polymer areas in development and pro-Engineering -Directorate is duction where microscopy can Enancing the first diagnostic be used to improve product microscopy and teaching service design, manufacturing tech-for the plastics and rubber niques and quality control. industry, to be set up at the SRC. Polymer Engineering Institute of Polymer Techno Directorate, PO Box 271, 3/5. logy, University of Technology, Loughborough.

Courses will play an important part in the service which Recognising that, the Science will also help in identifying Charing Cross Road, London WC2H OHW. 01-930 9162.

• COMPONENTS Withstands high power

CUSTOM-BUILT voltage networks and dividers, that are capable of continually with standing up to 30 kV, are offered by Welwyn Electric, a the Northumberland based the Northumberland based power rating is up to 45 electronic component manufac watts, and stability typically 0.5 furer.

per cent after 1,000 hours use.

The new components will be of interest to engineers involved in the design and manufacture of high voltage equip-ment, particularly very low inductance and pulse systems, precision high voltage dividers, accurate feedback controls. measurement systems and

bleeder chains Networks are supplied on five standard substrate sizes ranging from 25 mm x 8.5 mm to

able is 100 ohms to 2 Gohms with a standard tolerance of — 5 per cent. Closer tolerance are available if required.

Advantages of a high voltage network over discrete com-ponents are reduced inventory, as several components are re placed by one; reduced assembly and inspection time; and a more consistant performance than can be achieved with discrete resistors, as duplicate networks are identical in pattern, shape and electrical characteristics.

Welwyn Electric, Bedlington. 25 mm x 50 mm. Special size Northumberland NE22 7AA. substrates can be made to order: 0670 822181,

• MUNICIPAL ENGINEERING

Structures for streets

serve as kiosks, booths, shelters, rothes, Fife (0592 759298). etc., in car parks, at bus stops Local authorities have util-(or as fully enclosed structures ised the modular system as bus

By agreement between the the structures come in a range Financial Times and the BBC, information from The Technical scenarios. Page is available for use by the Corporation's External Services produced under tight quality as source material for its overseas broadcasis.

UNITS MADE of GRP (glass ducts, 21 Faraday Road, South-reinforced plastic) that can field Industrial Estate, Glen-

where a dust-free atmosphere shelters, etc., and the maker is required) have been de says that they are virtually veloped by Inwork Craft Pro-vandal-proof and corrosion free. Said to incorporate the latest resins and colourful pigments. of textured finishes to blend in

> Each module promises to be supervision with particular attention given to inner surface and edge finishing.

with or contrast with customer

• MATERIALS

Production of optical fibre

A NOTABLE first has been achieved by a GEC company which has made the first lengths of optical fibre produced commercially in the UK by the double crucible method.

The double crucible method of manufacture uses a crucible designed to proportion two types of glass at a pre-set core to cladding ratio. It is then covered on-line by a protective, strengthening plastic coat.

This process was developed to produce was granted to London Electric Wire.

In 15 weeks from the date of the original agreement London Electric Wire reached the production stage. During this period the plant was designed. built and commissioned. It is installed in a specially constructed clean environment in order to guarantee purity levels -and thus the highest possible technical standard.

Uses for this type of fibre are mainly in the Post Office network systems and the worldwide potential is enormous. Applications include computer links, piped TV systems, the new System X telephone exchanges, military cables and railway signal systems.

London Electric Wire, Church Road, Leyton, London, E10 7JH. 01-539 3636.

Keeps the draughts at bay IMPROVED WEATHER strip is scored down the centre so that for doors and windows has been on application it can be certify for doors and windows has been on application it can be easily good tear and dent resisance, put on the market by 3M and formed in to "V" section. conformability, acoustic insula-

is claimed, reduce air infiltra- space tacks. tion by over 70 per cent and Adhesion strength is said to inch wide polypropylene strip back tests.

will be available from Berkeley Adhesion to wood or metal, even in cold weather is said to be Catford, London SE6 (01-697 very good by virtue of new 3M say that test samples have under acrylate adhesive which is gone 2.5m opening/closing occurrence insulation and durability. The makers say that test samples have under toon, a fully fiedged microcomputer system for production conformability, acoustic insula-Known as Scotch Weather applied continuously at the cycles with no measurable Strip 2743 the material will, it factory rather than in interval change in performance.

أهكنامن الأحهل

3M United Kingdom is at noise levels by 7.5 dB. This exceed 18 oz in 180 degree peel- P.O. Box 1, Bracknell, Berks Blackman Martin Group, BMG RG12 1JU (0344 58280).

Strong lettered strapping

WELL KNOWN for its woven dyed. A range of nine colours of loose yarn on the reverse nametapes, J. and J. Cash has is available where the lettering, of the strap. This process was developed introduced a range of high etc. is concerned, while the It should appeal to tour ever, that its high quality total by the British Post Office strength lettered strapping, body of the strap as such is operators needing constant system design and production Research Centre at Martlesham This is woven in nylon tyre dyed to meet particular required identification of their customers holiday impediments a strong position at the upper stripes, and logos, which are available is 38 mm in infinite and it could be useful for carry-repeated along the length of lengths. A variety of buckles, ing portable industrial equip-

advantages claimed for Conplast have to be used. It can also be

With a breaking strength of able. over half-a-ton, the straps have The strapping is so woven a very strong resistance to that the lettering will not catch abrasion, and all colours are fast or snag, and there is no "float"

the strap.

slide attachments etc, are avail-

Road, Coventry CV1 4DU.

Increases resistance to frost INCREASED workability and crete area where damage by resistance to damage by frost is likely, or where poor and decicing salts are among the aggregates or sand gradings

ment, which needs to be held

securely and readily recognised.

AE 21, a water-reducing air- used with air-entrained struc-entraining admixture for con- tural concrete or extruded concrete now being marketed by crete. Fosroc Construction Chemicals, Vimy Road, off Leighton Road, Leighton Buzzard, Beds LU7 7LF. (0525 373773).

Described as a chloride-free, liquid admixture that is compat-ible with all types of Portland cement, Conplast AE 21 en-The product is stated to be trains a controlled volume of ance to frost damage and resultable for roadways, bridges, air into the mix while its plasduces the permeability of the on the utilisation of each work runways and any large conticising action significantly rehardened concrete considerably.

It acts on the interface be-tween the cement/aggregate particles and the mixing water, producing microscopic air bubbles throughout the con-

crete. Fosroc says that the improved workability increases entrainment increases resist-

ICL is a major, profitable and growing British computer company with a

COMPUTERS Control of

BASED UPON a design for use management in the engineering industry is now to be offered by BMG Microsystems.

Part of the £4m turnover Microsystems is making use of Intel eight bit microprocessors. Honeywell Bull peripherals and the CPM operating system from Digital Research of California now said to be in use in 200,000 installations world wide.

The company believes, how-ever, that its high quality total system design and production end of this particular market. System price with hard disc is about £27,000 and the machine is aimed at companies with up to 350 employees. It is empha-J. and J. Cash is in Kingfield sised that no specialist know-ledge or staff are required and included in the price will be 12 free weeks of support.

Production scheduling and cost control are the two prime areas in which the machine provides solutions. The former is designed for a multi-operation multi-work-centre environment. Machine times calculated at the estimating stage are kept within the computer for automatic pre-paration of daily machine schedules. All jobs and processes, including planned down compaction, while controlled time and operators' absences can be programmed. Manage-

Norgren **B38** Instrument Filter-Regulators specially designed for the Process and Petrochemical industries.

MI NORGHEN LITE.

and achievable delivery dates, plus a daily work schedule. The effect of production machine breakdown or personnel absence on the whole program of work on job progress, de-livery dates, workshop load-ing and several other aspects will be shown up by the computer. The work schedule is automatically adjusted but re-mains under direct management control.

The system also provides the kind of information needed for decisions on when to buy new equipment, when to subcontract work, and the effect of overtime

Current and future costs of materials, work centres and overheads are accommodated by the costing segment of the software and these can be updated at any time. Outputs in-clude detailed variances against the estimate and a forecast of the profitability of each order from customers.

The company is also offering separately the microcomputer plus its peripherals, with operof about £8,250.

More from the company at Micro House, Hawksworth, Swindon, Wiltshire SN2 1DZ



America leads the world in computer research and development.

Britain, and ICL, have contributed many 'firsts' in the development of new computer techniques. Virtual memory, paging, indexing, cache memory, and micro-coding

are just a few examples of British inventiveness. As vital, in computer terms, as the invention of the jet engine, for example, or the hovercraft. Some more recent developments, like ICL's

Content Addressable File Store or the new Distributed Array Processor, are acknowledged to be fundamental to the advancement of computer technology

ICL channels all the benefits of its innovative research and development directly towards its customers, enabling them to compete effectively in the world markets with the considerable strength of ICL technology behind them.

ICL believes it is vital for Britain to control its own future. That's why ICL is continuing the kind of intense research programme that has made a . British computer company one of the leading international computer companies in the world today.

Don't decide on a computer company until you know about ICL

International Computers Limited ICL House, Putney, London SW15 ISW

£16m paper mill in Tanzania

to be built by Mowlem under a £16.4m contract. The development, in the highlands at Mufindi, Iringa region, is for the National Development Corpora-tion of Tanzania. It is financed by a consortium including the World Bank, KFW of Frankfurt, Commonwealth Develop-

group includes three orders

won by its Caribbean office

for schools, houses and blocks

of flats in Trinidad, together

Trinidad and Tobago Minis-

try of Education and Culture

has placed a £4.4m order for

two schools of prefabricated

design to be built on reinforced

concrete foundations at Claxton

Bay and Moruga. For Craven

Ramchatesingh, Wimpey is to

design and build 68 houses in

worth over fllm.

A PAPER and pulp mill comment Corporation, the Nordic effluent treatment and water plex in South West Tanzania is Investment Bank and the supply works.

Mowlem's first task on the 51.4 acre site, is to build an estate of 50 houses which will be used by company staff carrying out the construction.
In addition to the mill house,

these will be 24 ancillary buildtenance shop, fire station, ing consultants.

Overall project management is by the National Development Corporation of Tanzania, which has retained ASSI of Stockholm as advisers; site project management will be P. R. Sandwell UK of London, with Jaaklo Poyry Engineering Com-Sida of Stockholm, the Kuwait ings including offices, labora-fund, the OPEC Special Fund, tories, field storage unit, main-pany of Helsinki, as engineer-from Cairo.

Big Punjab development project the type found in the area. Work involved will be the

SIR WILLIAM Halcrow and Punjab Services to be provided cover Partners working in collabora-with Sir Murdoch MacDonald the feasibility, planning and im-and Partners has signed a con-plementation of the KWADP, tackle the problem of the flood tract with the Government of including technical organisation Punjab to provide full con-sultancy services for investiga-social and administrative aspects tion, planning and implementa- provision of advice to tion of the Kandi Watershed and asistance with in-service train-Area Development Project ing to strengthen the Depart-(KWADP) finance for which the ment's capacity to investigate, International Development Association is to provide a monitor, and evaluate works on small watersheds of varying size. US\$24m loan, matched by topography, hydrology and which contains some six per grants from the Government of degree of vegetative cover of cent of the State's population.

covered by George Wimpey contract. Third order is valued stores, training and medical

by the National Housing Autho-

rity of the Government of

Trinidad and Tobago. This calls

for five four-storey apartment blocks to be built in Morvant

In the UK, the Middlesbrough

office of Wimpey Construction

has won a £6m contract from

the Property Services Agency

for the erection of a training

camp for service personnel at

Wathgill Camp, North York-

Freeport, complete with roads shire. Project comprises barrack 100mm two-course Marshall

by the end of 1981.

damage and soil erosion brought about by generations of unrestricted tree felling and overgrazing in the Himalayan submountainous zone, and forms part of the Government of Punjab's strategy to raise agricultural production in the Kandi

tract, a 4,600 square km area

junior ranks messes, workshops, transport facilities and all asso-

ciated buildings and services.

£3.4m has been won by Wimpey Asphalt for the resurfacing of

the RAF Machribanish runway

the Department of the Environ-

ment, PSA, this work comprises

the resurfacing of the existing

3 050 metres long x 45 metres

Campeltown. Awarded by

In Scotland, a contract worth

Home & overseas work for George Wimpey

WIDE RANGE of activities and sewers, under a £1.3m blocks, beadquarters buildings, Asphalt. Work involves making

at £6.6m and has been placed centre, social centre, senior and

Factory in Egypt

The second secon

MEMBER OF the John Laing Group, Laing Projects BV, has received a £3.3m management fee contract from Chioride Egypt to build a battery factory with offices and an amenity huilding at Imbaba, about 35 km

Factory will have a floor area of about 3,000 square metres and will be of structural steel frame construction with metal cladding to roof and walls.

The two storey office building (some 1,100 square metres) will have an in situ concrete frame with blockwork cladding. Single storey amenity building will be of similar construction.

included will sewerage treatment and effluent plant, a water tower, roads and hardstanding for vehicles.

Work begins on September 1 this year and is scheduled for completion within 14 months.

and laying 52,000 tonnes of Marshall base and regulating

material and 19,000 tonnes of

way ends are to be broken out

also, and resurfaced with 200mm

A £1.2m plus contract from

construction of a new perimeter

security wall in reinforced con-

tion contract with Kirkaldy

thick concrete.

just .over £600,000.

wide concrete runway with District Council is valued at

Marshall wearing course. Run- TWO contracts for sea defence

the Home Office for works at Water Authority for work to be

HM Prison, Liverpool, includes carried out in Sheerness, Kent,

crete with piled foundations. A tidal sea defences, Called for third house and flat modernisa- are 700 linear metres of sheet

over £2m.

Three contracts for Howard

Architects are Grayston, Alan ford. This complex will have

Sewage treatment works

WORK WILL start shortly on

Bernard Sunley and Sons.

tion of an office and foundry

in readiness for the construction

ing will have a structural steel

be linked at high level to some remaining buildings. The con-

tract valued at about £1.6m is

planned for completion in

including a £3m design and con-

struct contract for a major ex-tension to the existing sewage

The new works, which incorporate part of the existing works sited along-

side the River Kent, will

treatment works at Kendal.

The largest contract, valued

Contractors worth a total of

One is for the Southern

and, due to start in August,

will entail the improvement of

pile toe wall, concrete bank fac-

ing and associated promenade

slabwork and wave return walls.

a steel sheet piled finger jetty North West Water Authority three contracts, totalling over 240 metres long to provide an £2m won by John Heward and overall berthing length of 400 metres.

are the quantity surveyors.

where a £7.1m office and flat

development overlooking the Thames is underway for Dome-

WORK WORTH over 15m has include an inlet screw pumping Holst company) has been heen awarded to companies station; screen house, covered awarded a £2.276m contract by within the Norwest Holst group oxygen activated sludge tanks, the Severn-Trent Water

time since reorganisation that

has awarded a design and con-

the struct contract for a major sew-

age works extentions.

final settling tanks and sludge Authority for building read storage tanks. This is the first

the North West Water Authority lages of Carsington and Hog-

Robert McGregor (Norwest and reservoir.

the

provide a new customs and At Warrington, the company at nearly £1.5m is at Blacksness will construct two sludge; tanks Harbour, Scalloway, Shetland and involves the construction of a third at Eastford Road for the for the Property Services

£2m sea defence work Also included in the £1.1m work have been won by Mears contract is the improvement of a secondary defence which runs through the dockyard in a north-

> Point to Rats Bay. The second contract is for the Metropolitan Borough of Wirral and is a 15 month operation scheduled for completion in October 1981.

south direction from Garrison

Under this £1m contract, (Stage III of the Wallasey Embankment project), Mears is to carry out defence works for a plex will be erected on a 31distance of 150 metres. The contract also includes construction of an offshore rubble mound breakwater consisting of 40,000 tonnes of natural rock laid on a base of 20,000 tonnes of smaller bed stone, with 500 tonnes of mastic-grouting.

City in the desert

TRENT CONCRETE has won a £400, 00 contract to supply its spec ilist expertise to architects pla ming a £1,000m city in the Egy, ian desert.

The I nth of Ramadan City, as it is ilready called by the Egyptians, will be the new home of 500,000 people at present living in overcrowded Cairo It is due to be completed by the end of this century.

Trent Concrete engineers will be training their Egyptian counterparts in precast concrete construction techniques at their Nottingham offices and also at the site in the desert 30 miles to the north of Cairo.

Water study in Mauritius

OVE ARUP and Partners'
Mauritius based practice,
Sigma-Arup, has been appointed
by the Central Water Authority of Mauritius as consulting engineers for the proposed Port Louis Domestic Water Supply

This project includes two dams, the larger being situated in the Guides Valley, a tunnel, a small hydro-electric station to-gether with weirs and several

A feasibility study for the project is under way and work has also begun on site investigation.

£10m awards to Bernard Sunley

THREE contracts worth about and Durtnall of Sevenoaks, seven storeys of offices and flats 510m have been awarded to Kent. Baker Wilkins and Smith in a nine-storey section. The building will be finished At Purley Way, Croydon, Work has also begun at Nene work has started on the demoli- College, Northampton, on the

externally with brickwork and anodised glazed panels and curtain walking and the area construction of the Blackwood Hodge Management Centre for around the building will be of a three-story factory, for Northamptonshire County Counextensively paved to allow Stewarts' Plastics. The build- cil. This contract is valued af over film. The architect is access to the riverside and Southwark Cathedral. Comple-tion is scheduled for the end of The third job is at New Hibernia Wharf, London, SEL, 1982.

Architects are Michael Twigg Brown and Partners and Norveil and Partners are the quantity

the Severn-Trent Water

diversions to by-pass the vil-

naston in Derbyshire, prior to

the commencement of work on

(£270,000), while the third contract, valued at £285,000 is to

Nearly £5m

contract

proposed Carsington dam

Buildings for port project

THE SUPPLY, and erection of 23 buildings for a temberin part in Um Qasr is to be undertaken under a sub-contract awarded: to Cleveland Bridge and Engineering Company by the State Constructional Contract.

Engineering contractors to the

oil eas, chemical,

process and

powergeneration

industries.

ing Company of Iraq Cleveland Bridge, a Traffagar: House company, will be fabricat-ing over 10,000 tonnes of steelwork for the project in the UK and at its Jebel Ali works in the United Arab Emirates.

This will be a continuation of the port development work currently being carried out by the company at Khor Al Zubair in Iraq, where it has a contract for the supply and erection of 12,000 tonnes of steelwork worth about U.S.\$13m.

excise pler at Gravesend. Kent. Bottling plant

AWARD BY Arthur Bell and Sons of a £650,000 contract for further extensions at its Dun-fermline bottling plant has brought the Cubitts total workload on this site to over £2m. Under the first phase, how nearing completion, Holland

Hannen and Cubitts (Scotland) has built additional bonde warehouse accommodation which, when brought into asse will release space for an additional bottling hall and var

Blyth and Blyth Associates of Edinburgh are providing all professional services on the

Monk tender accepted

TAYSIDE REGIONAL Council Water Services Department has acepted A. Monk and Co.'s £1.2m tender for the construction of a reservoir. The project calls for 36,000 cubic metrès reservoir in re-

inforced concrete. It will be part buried with a five and a half metre deep exacavation have a concrete base, walls and covered top and be supporte by 234 circular concrete Included in the contract are

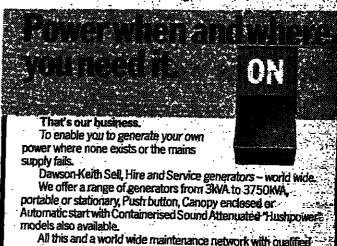
1,300 metres of mains laying and access road and landscaping

for Lesser UK headquarters for Reidelberg Graphic Equipment are to be built at Brentford, Middlesex, by Lesser Design and Build. Value of the contract is understood to be nearly The 9130 square metre com-

acre site on the south side of Brentford High Street. Pre-liminary site work has begun. There is to be a mix of twoand four-storey buildings with a showroom fronting the High-

Street for displays of Heidelberg printing machines. About 2,500 square metres of office space is to be provided plus storage areas, workshops, con-ference rooms, catering facili-ties and a plant and vehicle maintenance depot. A reinforced concrete frame will be used for the four-storey portion, with steel frames for

the remaining structures. Cladding will be mainly of red facing brick, with coloured mortar. and blue pvc-coated profiled steel. Completion is due in June 1982.



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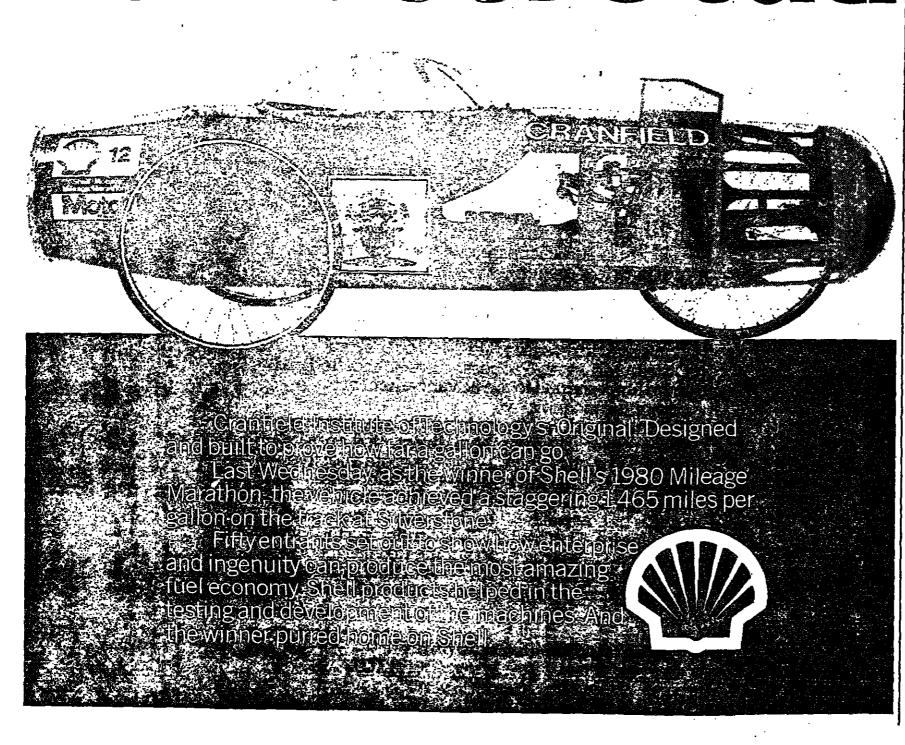
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Full particulars of the Notes and of Svenska Handelsbanken are available in the fixtel Statistical Service and may be obtained during usual business hours on any weekday (Saturdays excepted) up to and including LAZENOVE & Co.

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MOST BRITISH engineering companies with a large export trade have been reporting poor results in recent months. They have ben hit by the combination of last year's engineering strikes, high interest rates and the soaring exchange cate. The deepening recession in the UK and in several important overseas markets has made short-term prospects look even

The uncertain questionwhich must be worrying the Government as well as the City is how far present difficulties threaten the long-term viability of the industry. Will permanent damage be caused even to those companies which are normally regarded as soundly managed and internationally competitive? One such company is Baker Perkins, the Peterborough-based group which has annual sales of £100m and some 6,700 empleyees; it and its about 60 per cent of its UK production. After five years in which pre-tax profits rose every year from £2.67m to £9.86m, it has just reported a reflection to £4. reported a reduction to £6.46m in the year to March 30, 1980. The management is respond-

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ing to the recession in familiar ways one small factory has been shut down, another is on a four-day week and manpower financial disciplines, could be reductions are being sought — encouraged to look for growth but so far there is no suggestion. In real terms, to spend more that the company has been on product development and to thrown seriously off course. It consider acquisitions is trying not to cut spending on What had been achieved product development; medium between 1975 and 1979 was and long-term objectives remain unchanged.

Change of

What makes Baker Perkins particularly interesting in this context is that a year ago the management decided on a change of gear. For the pre-ceding four years effort had concentrated on raising profitability, sorting out the con-sequences of all ill-judged diversification programme and been high, Baker Perkins is re-establishing a solid basis for

who was then group managing director, had done what he said he would do when the company was last discussed on this page on July 16, 1976. Return on capital employed in trading had risen steadily to reach 242 per sidiary, based in Saginaw, cent in 1978-79; between 1870 Michigan, and mainly concerned and 1975 it had fluctuated be- with bread-making and chemi-

tween 6.5 and 10.8 per cent.

A recipe to stop the cookie crumbling

Geoffrey Owen examines the survival strategy of Baker Perkins, the food-to-packaging group



John Peake, Baker Perkins' managing director: "While the cold wind blows we will have to look harder at our priorities." He took over from Sir Franklin Braithwaite (right) in January

partly a matter of loss elimination, partly an all-round Australian subsidiary) was improvement in efficiency. In sent out to the U.S. in 1975 to printing machinery, for in- clean up the business. Overstance, which had been making substantial losses, Baker Perkins was trying to compete across too broad a front. It was spending a lot of money on product From a loss in 1974-75 profits development and there were operating problems with and are now at satisfactory machines already installed. levels.

The management decided to concentrate on web offset presses for commercial colour printing. Although development costs of the new G16 press have now competing effectively against much larger printing By the middle of last year machinery companies in its the re-building process was chosen sector of the market. largely complete. Franklin About 35 per cent of production grove is the world leader. Braithwaite (now Sir Franklin), is exported, mainly to the U.S. Although return on capital employed is lower than in other parts of the business, profits are moving in the right direc-

The old-established U.S. subcal machinery, was also going The time had come when the through a bad patch five years emphasis could be switched to ago. Stocks were too high and through acquisitions.

wards expansion. The operating too many contracts had been companies, without relaxing taken at fixed prices which were financial disciplines, could be yielding little if any profit; the yielding little if any profit; the Canadian affiliate was losing

money on its manufacturing

John Peake, an engineer What had been achieved with more than 20 years' ex-between 1975 and 1979 was perience in Baker Perkins (including a spell running the heads were cut back, stricter financial controls were imposed and, Peake says, "the bad stuff was got out of the system." have risen each successive year

Another big contribution to the improved performance between 1975 and 1979 came from packaging machinery—the Rose Forgrove subsidiary— where profits moved from good to excellent. Exports went ahead strongly, especially in

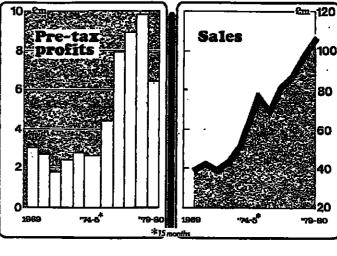
All this was very satisfactory as far as it went but it was clear to Braithwaite and his colleagues that Baker Perkins could not rely indefinitely on "recovery situations" to maintain the momentum of rising profits. New sources of growth had to be found, partly from organic development and partly



An operator using digital measuring equipment to prepare the housing for a shaft of a biscuit-making machine at Baker Perkins'

Spending on research and the economics of his manufac-development (mainly product turing system. development) has been pushed up in real terms. In 1979-80 it amounted to £3.8m, representyears earlier the figure had been little more than 2 per cent of sales. In food much of the emphasis has been on under- a

Inevitably the micro-pro-cessor is playing an increasing role. The first applications were ing 3.6 per cent of sales; a few in printing machinery, where the level of technical sophistication is generally higher than in food processing. (This is one of the reasons why printing is useful business for Baker standing the processes more Perkins to be in.) For that fully, learning how to control application outside consultants



developing new micro-processorbased packages for use in breadmaking machinery.

هكزاهن الأحمل

Improvements in conventional mechanical engineering are just as important. In biscuit-wrapping machinery, for instance, a Swiss competitor has made some embarrassing inroads into the U.K. market, mainly because Baker Perkins made some wrong technical decisions a few years ago. There is scope for improving market share through product development

As for takeovers, four have been made in the past two years —two in France, one in the U.S. and a small one in New Zealand—and the effect has been to strengthen Baker Perkins' hold on world markets in its traditional lines.

It has always been a leading world supplier of bread-making machinery, but its interests on the Continent of Europe had been confined to a long-established 26 per cent stake in Werner and Pfleiderer KG of Stuttgart, a company about the same size as Baker Perkins and with some overlap in products. This is very much a trade investment and even if it were feasible for Baker Perkins to increase its shareholding—the company is a limited partnership-Werner and Pfleiderer has never been seen as an appropriate vehicle for expansion on the Continent.

Towards the end of last year Baker Perkins made an offer

been hired and has been Pavailler. After several anxious months of waiting for official approval, the deal went through in March of this year. Pavailler's main strength is in selling to family bakeries. With annual sales of around £20m, it is nearly as large as the U.S. subsidiary and fills an important gap in the group's worldwide network. In 1978 a smaller French company, Malaxeurs Guittard, making mixing machines for the food and

chemical industries, had been

bought for £1m.

In contrast to the diversification of the late 1950s and early 1960s, the recent purchases are designed to broaden Baker Perkins' position in markets where it is already well established. For example, the U.S. company, a major supplier of bread-making machinery, was less strong in another of Baker Perkins' lines, biscuit machinery: hence the purchase of Werner Lehara of Grand Rapids, Michigan, which specialises in this field.

Another factor was the trend in markets outside the U.S. towards U.S.-style "cookies" rather than traditional Britishtype biscuits: Werner Lehara had the relevant technology and experience.

Outside food Baker Perkins is looking for ways of extending be improved and investment its line of chemical machinery in product development mainhas tended to go for niches in the market-such as compounding machines for polythem more accurately and thus were used, but recently an for the leading French company propylene and high-strength the future of the British helping the customer improve engineer from GEC-Marconi has in bread-making machinery, engineering plastics—where the engineering industry.

number of customers is relatively small and where the company, operating in this case from a U.S. manufacturing base, can provide a worldwide service. It wants to build on its strength in mixing machines to serve a wider range of processindustries, some of which have better growth prospects than

What difference has the recession and the drop in profits made to these plans? Clearly Baker Perkins has been affected by the fall in demand, especially for packaging machinery. The confectionery industry, one of the main customers, has been going through a lean period and cutting back on new investment. In general the increases in volume through which the company hoped to reap the benefits of its recent investment in new plant and new products will be more difficult to achieve and take longer to come through.

This makes improvements in productivity all the more essential; manpower reductions, instead of being phased over two or three years, have to be accelerated. Spending on product development is being maintained, but as John Peake, who took over from Braithwaite as group managing director in January, puts it, "while the cold wind blows we will have to look harder at our priorities."

Fortunately Baker Perkins has a healthy balance sheet. The market leadership which it enjoys in several of its lines is an added strength. There is the further point that nearly half its manufacturing capacity is now in well-established factories outside the UK.

But, despite the unexpectedly sudden change in the terms of trade, Baker Perkins is by no ing from the UK. Much of the international competition comes from Germany, and sterling has appreciated less against the D-Mark than against most other

Stronger position

Exporting from the UK is, and will remain, a very important part of Baker Perkins' business. The company has the financial and commercial strength to weather the present storm. If in the course of weathering it productivity can tained, it could emerge in a stronger-competitive position.

It is too early to despair about

COMPANY NOTICES

TOKYU DEPARTMENT STORE

LEGAL NOTICE

PREVENTION OF FRAUD (INVESTMENT) ACT 1958 NOTICE IS HEREBY GIVEN that

has refinquished the Principal's licence issued pursuent to Section 3 of the Act having transferred its business to LONSDALE CHETWYN HOLDINGS

Portfolio Administration Limited has made application to the Department of Trade pursuant to Regulation 5 of the Prevention of Fraud (Investments) Deposit Regulation: 1944 (S. R. & O. 1944 No. 541) for the release of the 3% War Loan stock deposited in pursuance of Section 4 of the Act Any persons beving a claim on the timbe, paperson beving a claim on the timbe, paperson ting the denosit should send their names and addresses and details of their claim to the Assistant Secretary. Companies Division, Department of Trade, Senctuary Buildings, Great Smith Street, London S.W.1, not later then the 28th July, soon.

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N.Y. AMEY

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Advice has been received from Telyo that payment of a Cash dividend of Yen 4.50 per share has been marke for the six monitis period ended 51st March 1980.

The dividend will be payable in United States Dollars (except to residents of the United Kingdom) and will amount to 50.1020 per Depositary share before deduction of of any Jahanese Withholding Tax.

deduction of of any Jahanese Withholding Tax.

RESIDENTS OF THE UNITED KINGDOM will receive payment in sterling converted at the rate of exchange ruling on the Cavol Discentiation of the coupons.

RESIDENTS OF THE FOLLOWING COUNTAILS who are subject to expection of the reduction of the coupons.

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NACIONAL FINANCIERA, S.A. FLOATING RATE NOTES 1978/85/93 in accordance with the terms and combines of the above mentioned floating Rate Notes the interest rate applicable for the period beginning July 7th. 1980 and ending January 7th, 1981 has been fixed at 10 7%, per announ. APPOINTMENT OF SUCCESSOR To the Holders of CHESKBROUGH-POND'S INTERNATIONAL CAPITAL

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The Debentures and coupons may continue to be presented for payment, and the Debentures may continue to be presented for conversion, at the corporate trust office of Morgan Guaranty Trust Company of New York, agent for the Company in the Ecrough of Manhattan, The City of New York, at 30 West Broadway, New York, R.Y. 10015, and at the main offices of Morgan Guaranty Trust Company of New York in Brussels, Frankfurt (Main), London and Peris, Bank Mees & Hope N.V. in Amsterdam, Credito Romagnols S.p.A. in Millan and Kredistbank S.A. Laxembourgeoise in

NOTICE OF RESIGNATION OF TRUSTEE and of

APPOINTMENT OF SUCCESSOR TRUSTEE To the Holders of INTERNATIONAL CAPITAL CORPORATION

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NOTICE IS REPERT CIVEN that effective at the opening of business July 3, 1860, Morgan Goaranty Truck Company of New York has resigned as Trustee under the Indenture dated as of December 15, 1968 (herein celled the "Indenture"), under which the 614% Guaranteed (Subordinated) Debemines Due 1984 of Chesebrough-Fond's International Capital Corporation (herein celled the "Debemines") were issued. Hartford National Bank and Trust Company, with its principal corporate trust office at 777 Main Street, Hartford, connecticut 06115, has been appointed guenessor trustee under the Indenture, and has accepted such appointment effective at the opening of business July 3, 1980 pursuant to Section 7.09 of the Indenture.

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renting trailers is better than investing

THE TRAILER

BY SAMUEL BRITTAN

of England economists who wrote Bank of England Discus-son Paper No. 6, showing that on a proper inflation-adjusted deficit the famous Public Sector Borrowing Requirement (PSBR)

The concept they use is the General Government Borrowing Requirement, but the principle is much the same. The calculations, brought up to date in the June issue of the Bank of England Bulletin, show that the real borrowing requirement was actually negative in the last couple of years and only £10n to £2bn in 1975-76 when the international alarm was being raised.

Treasury Ministers officials have always ducked when confronted with these calculations. But it is important that people should be dis-couraged from using them to suggest a massive Budget giveaway and the abandonment of PSBR objectives.

Paradox

The detail for particular years should make one extremely suspicious. The Taylor-Threadgold method is to take the nominal borrowing requirement and add back the "notional gain on monetary liabilities." that is the losses suffered by holders of Governmen debut a result of the full in the revalue of their securities. The paradoxical result is that for any given nominal value of Government borrowing, the off-

setting adjustment is greater the higher the rate of inflation. The largest adjustment so for recorded—9 per cent of the national income — is for the horre-dous year of 1975 when the inflation rate averaged nearly 25 per cent. Such colculations would no doubt show that the German Government in the hyper-inflation of the 1920s, which was literally prime a ing money by the trillien to meet its bills, was activity in

In fact it may have been Forwhat the calculations show is how very difficult it is for a Government to run a gerning

cates programme in black and white

6.40-7.55 am Open University

(Ultra high frequency only).

.30 pm Heads and Tails. 1.45

News. 2.35 Your Songs of Praise

hoice. 4.13 Regional News for

England (except London). 4.15

Play School (as BBC 2 1L00 am).

4.40 The Space Sentinels. 5.00

John Craven's Newsround. 5.05

South-East only).

5 40 News.

6 20 Nationwide

6.55 Ask the Family.

Who is afraid of Taylor and so by an inflation tax on the Threadgold? Answer: British monetary and fixed interest Treasury Ministers, The two gentlemen in question are Bank moral is that what is good inflamoral is that what is good infla-tion accounting is not necessarily a good guide to fiscal and monetary policy.

Borrowing

How then should Treasury Ministers who believe in honest accounting, run their fiscal affairs? The correct Budget affairs? The correct Budger deficit is that which can be financed without inflationary borrowing from the banks and without inordinately bigb interest rates (the latter being partly a political judgment). In the short term the only way to find out is to "suck it and see."

But there is also another approach. Let us assume that the present medium term plan to 1983-84 is succeeded by another with the goal not of low inflation but complete price stability by say the late 1980s. At the end of the second period the inflationary adjustment for government gains on its monetary liabilities would be zero. Thus a long-term plan for price rability would have as its ter-minal point precisely the same expenditure and tax implications as one calculated on Taylor and Threadgold lines.

As there is in any case a stro argument for averaging the gearing adjustment in inflation accounting over a period er a farget balance of the The rough reast ahead (with the correct end-period inflation adjustment if one does not take price stability literally) and not more of moretare liabilities in

מישירים לי אי אי אייי and Threedgold aparts of the case for allow-te case to the PSER which are the natornatic effects of recassion to take place and act as a brilt-in stabiliser. This is quite compatible with monetary control. It would mean allowing increases in the PSPR due to a recession-induced revenue ייי יייים ייה חיים סורים of

"--- 'can' e- e---- Gorement mandian. The case for officially adjusted budgetary torrets in however, best argued descir. If it does not meet its on its own merits and not as an comes of infintion accounting.

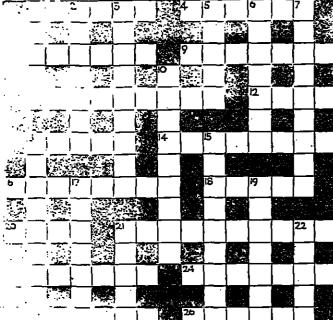
News and Weether to Section. Northern Ireland —4.13-4.15 pm Northern Ireland News, 5.55-6.20 Scene Around Sit. 12.12 am 9 19 Paranama: American Con-Tressman John Anderson's Presidential Election.

11.45 News Headlines 11.47 Bellamy's Europe.

News.

follows:-BBC Cymru/Wales - 1.30-1.45

Tiue Peter Flies the World. 5.35 am News and Weather for Wales. Scotland-9.55 am Neah and Nelly 10.00 Jackanory. 10.15
The All New Popeye Show. 10.3510.55 Take Hart. 1.25-1.30 pm
The Scottish News. 5.58-6.20
Reporting Scotland. 12.12 am 5.55 Nationwide (London and



1 Spotted, so I acted first (6) 4 Stop to receive direction in well known London thoroughfare (6) 8 Lose one's footing through

loose shoe (7) 9 Place in office this month at start of engagement (7) 11 Jester with a bad trick involving crockery (3-7)
12 Eccentric piece of paste-board (4)

-- 13 Mean to cancel (5) 14 Church assembly from Lanclass return (8)

16 Stop the French ship—it's 22 Soldier turning up in vehicle no race (8)
18 Politician in drink makes

plenty (5) 20 Lots of fish right inside tin (4)

31 Preserves food in chimney (5-5) 23 Excessive zeal in great love essay (7)

24 Spirit pertaining to us in prison (7)
25 Not liable without them briefly taking exercises (6) 26 Sportsmen under bar and anxious to get bail? (6)

- DOWN 1 Silver removed from salvage for a remedy (5) 2 I'm to stand on top of rostrum for taskmaster (7) 3 River-fish learner starts eating is odious (9)

9.00 The Sandbaggers. 10.00 News. 10.30 Police Story. with Leo Avlen.

12.15 am Close: Personal choice All IBA Regions as London except at the following times:—

ATV 10.00 am The Wild Wild World of Animels. 10.20 Sesame Street. 11.20 The Entertainers. 11.45 Larry the Lamb in Toytown. 1.20 pm ATV News-desk. 2.00 About Britsin. 2.30 The

693kHz/433m 909kHz/330m & 88-91vhf stareo

(S) Stereophonic broadcast
5.00 am As Radio 2. 7.00 Dave Les
Travis. 9.00 Simon Bates. 11.31 Paul
Burnett. 2.00 pm Andy Prebles. 4.31
Peter Powell. 7.00 Steyin Alive. 8.00
Simon Cale. 9.50 Newsbeat. 10.00
John Peel (S). 12.00-5.06 am As Radio
2.

RADIO 1

RADIO 2

RADIO 3

Radio Wavelengths 1053kHz/285m 1089kHz/275m

BBC Radio London: 1459kHz, 206m & 94.9vhf

London Broadcasting:

RADIO 2
J. 200 am News Summary. 5.03 Steve Jones (S). 7.32 Terry Wogan (S). 10.03 John Timpson (S). 12.03 pm David Hamilton (S). 2.03 Ed Stewart's Request Show (S). 4.03 Much More Music (S). 6.03 John Dunn (S). 8.02 Folk On 2 (S). 9.02 Humphrey Lytileton with the Beat of Jazz on records (T). 9.55 Sports Desk. 10.02 Pop Scon. 10.30 Star Sound. 11.02 Pop Scon. 10.30 Star Sound. 11.02 Brian Mat tew with Round Midnight, including 2.00 Nows. 2.02-5.00 am You and d. Night and the Music (S). RADIO 3

6.56 am Weather. 7.00 News. 7.05
Overture (S). 8.00 News. 8.05 Morning Concert (S). 9.00 News. 9.05
This Week's Composer (S). 10.00
Songs from Finland (S). 10.40 Beroque
Chamber Music (S). 11.30 Music for
Gentle Percussion by Marek Kopelant
(S). 11.45 BBC Scottish Symphony
Orchestra (S). 1.00 pm News, 1.05
Brahms: 2-Piano Recital (S). 2.10
Matinee Musicale (S). 3.10 New

1151kHz, 261m & 97.3vhf

6.00 am AM—Bob Holness and Alan King. 10.00 Brian Hayes with guest Lance Secretan, Managing Director of Manpower Limited and Sir Angus Wilson. 12.00 LBC Reports. 8.00 pm Alter Eight Special—Hugh Williams invastigates the decline of the In-shore fishing industry. 8.90 Nightline with guests Lord Howle of Troon and Counsellor Philip Hedson. 12.00 LBC Reports Midnight. 1.00 am Night Extre. 5.00 Monting Music. 5.00 Morning Music Capital Radio

A law of the sea runs aground

A MARITIME lien is a privinational, was the first most court can approach the prob- the contract against strangers leged claim upon a ship in gages of a British ship The lem. The first is to classify to that contract, the other respect of service done to it to Halcyon Isle, and was registered the foreign claims by reference creditors. Such other creditors be carried into effect by legal process. It is one of the prime principles of the law of the sea and is very far-reaching in

its effects. A decision of the Judicial Committee of the Privy Council recently in an appeal from Singapore. Bankers Trust Intergapore, bankers trust inter-national Ltd. v. Todd Shipyards Corporation, however, has stripped the maritime lien of much of its effectiveness by deciding that in modern law it is no more than a procedural remedy; it is not a valuable right of property. As the two dissenters, Lords

Salmon and Scarman, observe: So far from being far-reaching, its validity and effect will be subject to the domestic law of the forum in which it is sought to be enforced." They went on to say that, "If this be the law, we have travelled a great distance from the concept of a universal law of the sea. We have returned to the legal climate which in England prior to 1840 nourished the common law courts by excluding the Admiralty jurisdiction from the body of the county, i.e., the internal waters, ports, and dockyards of the country. In the climate of a dominating domestic law the concept and principles of the law of the sea wilt and die."

The facts of the case were short and simple. An English There are basically two creditors in full. They are unpaid, they could have her company, Bankers Trust Inter- ways in which the distributing rights as between one party to arrested and in this way obtain

as such on May 8, 1974. In plied materials to the ship while it was in port at New York. The vessel reached Singapore waters, where it was later arrested in the summer of that year. The ship-repairers had issued a writ against the ship; so had the mortgagees. After arrest, the ship was sold by order of the Singapore Court.

In due course the ship-repairers obtained a judgment for \$237,011 and mortgagees a judgment for \$14,413,000. The proceeds of the sale of the ship amounted to only \$1,380,000. If the mortgagees were right in rejecting the ship-repairers' maritime lien as conferring any priority, they would take all; if the shiprepairers were right in claiming the full benefit of their lien, they would be paid in full, leaving the mortgagees with what remained after the ship-repairer had been paid. The court distributing the limited fund was faced with the problem of classifying foreign claims arising under differing foreign systems of law in order assign each of them to the appropriate class in the order of priorities under the law of the distributing court.

to events upon which the claim will have done nothing to March 1974 American ship is founded, giving to it the arouse any legitimate expecta-repairers, Todd Shipyards Corpriority to which it would be tions in the party to the con-poration, did repairs and sup-entitled under the law of the tract as to the priority to distributing court as if those which the latter will be ended events had occurred within the in the distribution of the fund.

Every such creditor must region to priority

tions in the party to the con-tract as to the priority to which the latter will be entitled territory of the distributing Every such creditor must court. That approach has the know that any rights to priority

THE WEEK IN THE COURTS

BY JUSTINIAN

merit of simplicity, and the majority of the Law Lords thought that it was right in principle. The distributing court, when

against the debtor himself the individual creditors' rights against him. It is concerned with administering justice everhandedly between competing creditors whose respective claims will have arisen under a whole variety of different, and often conflicting systems of national law. Rights of priority over other creditors of the defaulting party to a contract they had done on the ship. Like-are not rights of the parties to wise they would have known the contract against one that if and when the ship another, when it comes to entered a port in any of the

That popular old campaigner,

Fere the likely winner is Irish

Solitaire, a consistent sort who has travelled from Denys

Smyth's Bishop Auckland stable.

With R. Sidebottom able to

claim his 51bs allowance Denys

Smyth's course and distance winner will be carrying only

weighted to win.

stone 12 lbs. He looks

EDINBURGH

2.00—Aegean Seaman 2.30—Chanson du Nuit**

3.00-Irish Solltaire

3.30—Cerua

he may have over other classes of creditors in the distribution of a limited fund resulting from an action against a ship will be compelled to yield to the law of dealing with a limited fund, is any foreign court in which the not concerned with enforcing action may be brought. Universality of the law of the sea cannot in the real world be complete.

In the present case the shiprepairers knew perfectly well that, as soon as The Halcyon Isle vacated its berth that she had been occupying in the busy repair yard at New York, they were relinquishing their possessory lien for the unpaid work they had done on the ship. Likejudicial distribution of a fund major trading countries of the insufficient to satisfy all the world while their hill remained creditors in full. They are unpaid, they could have her

security on the ship for their in the U.S. The repairers of a claim, subject of course to ship in England do not acquire being postponed to any other any maritime lien over a ship claimants who might be entitled which they have repaired; to priority as between various accordingly they rarely allow a kinds of maritime claims under ship to leave their yard until the local law.

That approach, simple and morally sustainable as it might be, did not commend itself to Lords Salmon and Scarman. They took the view that the

out payment unless they were

assured that the law conferred

on them the right of property by way of a maritime lien. The importance attached by the ship-repairers to this was shown by the terms of their contract. It included a term: "Nothing herein shall be deemed to constitute a waiver of our maritime lien." Since many countries give priority to maritime liens over mortgages this fact refuted the suggestion made by the majority of the Law Lords that the ship-repairers must have been aware that their lien might be disregarded by other laws which might apply as and when a limited fund had to be distributed among creditors.

Furthermore the repairs enhanced the value of the ship and therefore added to the value of the mortgagee's security.

The law relating to the repair of ships in England under contracts governed by English law differs from that

they are paid or have arranged other security for the repairs. In England, therefore, the court decides the priority of the rights that exist against a ship, For example rights conferred by a maritime lien take precedence over the rights of a mortgagee. The question in the Bankers Trust case was: does ship-repairers would never have allowed the ship to leave their repair yards in New York with-

English law (or Singapore law,

which is the same) recognise the maritime lien created by the

law of the U.S. where no such

lien exists under its own law? The majority relied upon the International Convention 1952 on the Arrest of Sea-Going Ships as indicating a characterisation of the maritime lier as procedural or remedial only, and governed by the law of the country distributing the limited funds. But that Con-vention has not been signed by Singapore or ratified by the UK, and so could not strictly he relied upon as affecting the result of the case.

The nations of the world have so far failed to introduce a uniform code governing mailtime liens. The acute division of judicial opinion in the Privy Council should sour the mantime nations to set about providing the uniform code to resolve the conflict of the legal systems.

Cole's three Edinburgh hopes

team at Bath on Saturday surprisingly failed to land a prize for the Lambourne trainer. end of the country today.

should fare better at the other

RACING BY DOMINIC WIGAN

Chanson du Nuit, King Hustler, and Eight Roses-to Edinburgh and each could win. His best chance and, the soundest prospect of the day is Eight Roses. which runs in the Pentland

Maiden Stakes. -Another Cole representative.

News and Weather for Northern

England-5.55-6.20 pm Look

East (Norwich); Lock North

(Leeds, Newnastia): Look North-

West (Manchester): Midlands

Today (Birmingham); Points West (Bristel); South Today (Southampton); Spotlight South-

BBC 2

6.40-7.55 am Open University. 11.00 Play School Story.

5.15 pm Open University. 6.55 Dailas.

7.45 Mid-evening News.

9.00 The Innes Book

8.00 One Hundred

8.10 The Waltons.

Records.

Ireland.

Today

PAUL COLE, whose five-strong on better than most here, is Sailor's Prayer. King Hustler, who goes for the New Hailes Handicap. At Le Garcon D'or, is remembered Windsor last time out Adrian with the five furlong handicap Clegg's smart three-year-old which carries his name. was fast overhauling Peppery Cole has sent three horses in the closing stages of the Oakley Green Handicap.

King Hustler finished two lengths adrift of the winner at time as he attempted to concede 71bs. He will be ideally suited by the additional furlong of today's race. Although he has been on the

go for a long while now, Chanson du Nuit retains his form in exemplary style and was gaining a well deserved success last time out when beating Royal

Blood at Bath. He looks certain to follow up in the Glenfuir Stakes which he who seems sure to be staying can win at the expense of

4.00—Palfrey's Surprise 4.30—King Hustler* 5.00—Eight Roses*** Best of Sellers: "The Naked Truth" sterring Peter Sellers. 5.15 Take My "Infe. 6.00 ATV Today. 10.30 Left, Right and Centre. 11.00 ATV Newsdask. 11.05 Luke's Kingdom. 12.05 am Something Different.

Something Different.

ANGLIA

10.00 am Chopper Squad. 10.50 Child Lile in Other Lands. 11.20 World Worth Keeping. 11.45 Cartoon Time. 1.20 pm Anglia News. 2.00 About Britain. 12.30 Monday Film Matines: "In a Lonely Place" starring Humphrey Bogart and Glorie Grabame. 6.15 University Challenge. 6.00 About Anglia. 6.30 Survival. 10.30 The Brian Connell Interviews. 11.03 Monday Late Film: "Hell On Frisco Bay" starting Alan On Frisco Bay" starting Alan 12.45 am Reflection.

BORDER HOKDEK

10.00 am The Beat of Walr. 10.25
How the West Was Won. 1.20 pm
Border News. 2.00 About Britain. 2.30
Monday Marinee: "Catch Me A Spy"
starring Kirk Dougles. 5.15 Take My
Wite. 6.00 Lookaround Monday. 6.15
The Electric Theatre Show. 6.45 Photography. 7.00 The Krypton Factor. 10.30
Monday Film: "Moments" starring
Keith Michell. 12.25 am Border News
Summary. Summary.

CHANNEL CHANNEL

1.20 pm Channel Lunchtime News,
What's On Where and weather, 12.30
The Monday Matinee: "My Six Convicta," 5.15 University Challenge, 6.00
Channel News, 6.10 Cities, 10.23
Channel Late News, 10.35 Luke's
Kingdom, 11.35 Celebrity Concert
(Connie Stevens), 12.30 am News
and weather in French.

GRAMPIAN GRAMPIAN

9.25 am first Thing. 10.00 The Best of Weir. 10.25 How the West Was Won. 1.20 pm North News. 2.30 The Monday Special: "The Pre-Raphevite Revolt/Dancers." 3.30 Survival. 4.00 Cesper, the Friendly Ghost. 5.15 University Challenge. 6.00 North Tonight and area weather forecast. 6.30 Out of Town. 10.30 Reflections. 10.35 The Monday Movie: "The Sergeant" starting Rod Steiger. 12.30 am North Headlines.

12.30 am North Headlines.

GRANADA

10.00 am The Beatles. 10.15 Wildlife in Crisis. 10.35 The Woody Woodpacker Show. 11.00 Sesame Street.
1.20 pm Granada Reports. 2.00 About
Britain. 12.30 Monday Matines: John
Gregson in 'The Brave Don't Cry."
5.15 Granada Reports. 6.00 Granada
Reports. 6.30 This is Your Right.
10.30 The Pool of Life, 11.30 The New
Avengera.

10.00 am The Human Face of China.

10.25 The Last Islands. 10.50 Sesame Street. 21.50 Larry the Lamb in Toytown, 1.20 pm Report West Headlines.

2.00 About Britain. 12.30 The Monday Matines: "Easy Money." 5.75 Batman.

8.00 Report West. 10.35 The Monday Film: "The Proud and the Damned."

HTV Cymru/Wales.—As HTV West/HTV General Service except. 12.30-12.10 pm Trehetiau, 1.20 Papawdau

Newyddion y Dydd. 1.25-1.30 Report Weles Headlines. 2.00-2.30 Hamdden. 4.45-5.15 Sêr. 8.00 Y Dydd. 8.25-7.00 Report Wales. 8.30-9.00 Yr Wythnos.

SCOTTISH

History of the Motor Cer. 11.45 Lary the Lamb. 1.20 pm Southern News. 2.00 Houseparty. 2.25 "The Mask of Alexander Cross." 3.45 About Britein. 5.15 Survival. 6.00 Day by Day (including Southsport). 10.35 First Edition. 11.20 S.W.A.T.

TYNE TEES 9.20 am The Good Word followed by North East News. 9.30 The Master-builders. 9.55 The New Ed Allen Show. 10.20 The White Stone. 10.45 White Dad Was in a Concentration Camp. 11.10 Canada, 1.20 pm North East Dad Was in a Concentration Camp.

11.10 Canada. 1.20 pm North East
News and Lookeround. 2.00 About
Britain. 12.30 Mondey Malineo: "Nor
The Moon By Night." starring Belinda
Lea and Michael Craig. 5.15 Father.
Dear Father. 6.00 North East News.
6.02 Play It Again. 6.25 Northern Life.
10.30 Northern Report. 11.00 Monday
Film: "In Tandem." 12.30 am Epilogue. ULSTER

ULSTER

10.00 am Best of Weir. 10.30 The
Lost Islands. 11.00 Separmo Street.
1.20 pm Lunchtime. 2.30 Monday
Matinee: "The Brave Don't Cry."
starning John Gregson. 4.13 Ulster
Television News. 5.15 Boiley's Bird.
6.00 Ulster Television News. 6.15
Portrait of the Artist. 6.30. Happy
Days. 10.29 Ulster Weather. 10.30
Superstay Profile (Gregory Perf) 11.00 Superstar Profile (Gregory Peck), 11.00 Kaz, 12.00 Bedtime, WESTWARD

WESTWARD

10.00 am Best of Weir, 110.25
Feature Film: "Earth v The Flying
Saucers." 11.40 Sword of Peace-RAF.
1.20 pm Westward News Heedlines.
2.00 About Britain, 12.30 The Monday
Matinee: "My Six Convicts." 4.12
Gus Honeybun's Birthdays. 5.15
University Challenge. 8.00 Westward
Diary. 10.32 Westward Late News.
10.35 Luke's Kingdom 1135 Celebrate Diary. 10.32 Westward Late News.
10.35 Luke's Kingdom. 11.35 Celebrity
Concert (Connie Stevans). 12.30 am
Faith For Life. 12.35 West Country
Weether and Shipping Forecast.

10.00 am Wildlife—Untained Frontier. 10.25 Black Beauty. 11.10 Young Ramssy. 1.20 pm Calendar News. 10.25 Black Beauty. 11.10 Young Ramsey. 1.20 pm Calendar News. 2.00 About Britain. 12.30 Mondev Matines: "The Passionate Friends," starring Ann Todd, Claude Rains and Trevor Howard. 5.15 University Challenge. 6.00 Calendar (Emloy, Moor and Belmont editional). 6.35 Happy Days. 10.30 Calendar Carousel. 11.15 Paris. 12.15 am George Hamilton IV.

DUCHESS TH. CC. 01-836 8243. Gro sales 379 8061. Eves. 8,00. Set. 5.30 & 8.30. Thurs. Mars. 5,00. MARIA ATTEN MICHAEL JAYSTON In Noel Coward's PRIVATE LIVES. YORKSHIRE forecast. 5.55 Weather; programme news. 6.00 News. 6.30 Home Again (S). 7.00 News. 7.05 The Archers. 7.25 Science Now. 7.05 The Archers. 7.25 Science Now. 7.45 The Monday Play: "A Father and His Fate." (now the novel by Ivy Compton-Burnett. 9.15 Crawdie and Cream. 9.20 Kaleideecope. 9.59 Weather. 10.00 The World Tonight. 10.30 The News Quiz (S). 11.00 A Book At Bedtime. 11.15 The Finencial World Tonight. 11.30 Today in Parliament. 12.00 News. BBC Radio London LINEAUS BY F. G. WOOSHOUSE.
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today. 'Tue. Wed. A MIDSUMMER
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7.45. Mars Wed. Thur, 5at 2.30. Exit
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3.12. 5.55. 8.25.

3.13. 5.55. 8.25.

3.15. 5.55. 8.25.

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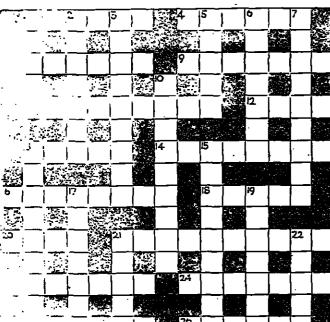
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EVE has outlived the others because of gotter of Lik play and value for gotter from 10-2.70 am. Olsco and for meaking, glampropt because, section 28-734.0557. 11-2_30 am. Shows at Midnight and 1 am. Man.-rri. Closed Saturdays, 01-437 6455.

EXHIBITIONS

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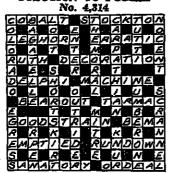


ACROSS 5 Time to be strained (5) Object that could make it clear (7) 7 Decide to put an end to (9)

> 10 Detour that should be amusing (9) 13 Gloomy god in the east (9) 15 Escort fellow with a word of hesitation over one (9) 17 Chap with fault in garment needs access to sewer (7)

19 Part of theatre and article used on stage provides underground support (3-4) cashire town taking first- 21 Remove footballer's clothing? (5) The solution to last Saturday's prize puzzle will be published

with names of winners next SOLUTION TO PUZZLE



9.25 The Monday Film: "Chato's Land," starring Charles Brenson and Jack Palance. 11.00 The Editors.

12.12 am Weather / Regional All Regions as BBC 1 except as

pm Pila Pala. 5.55-6.20 Wales Today. 6.55-7.20 Heddiw. 12.12

9.25 Brass Tacks. 10.10 Best of Brass. 10.45 Newsnight.

Paintings.

West (Plymoutin).

LONDON 9.30 am Check It Out. 10.00 Wild, Wild World of Animals. 10.25 Poetry of Landscape, 10.40 The Village, 11.05 Little House on the Prairie. 11.55 Dick Tracy Cartoon. 12.00 Choriton and the Wheelies. 12.10 pm Rainbow. 12.30 Doctor! 1.00 News, plus FT Index. 1.20 Thames News. 1.30 Crown Court. 2.00 Against the Wind. 2.30 Monday Matinee: "Woman's World." 4.15 Clapper-

board. 4.45 The Latchkey Children. 5.15 Mork and Mindy. 5.45 News. 6.00 Thames News. 6.35 Crossroads.

7.00 The Krypton Factor. 7.30 Coronation Street. 8.00 Can We Get On Now, Please? 8.30 World in Action.

Capital Radio: 1568kHz, 194m & 95.8vts

Records (S). 4.55 Naws. 5.00 Mainly for Pleasure (S) (‡ and mono only from 6.20). 7.00 Magnificent Performances. 7.30 College Concert. part 1 (S). 8.05 Interval Reading. 8.10 Colcert. part 2. 8.45 Promenades. 9.15 Violin and Piano (S). 10.00 Cincinnatus (story by Gabriele D'Annunzio). 10.39 Jezz in Britain (S). 11.00 News. 11.05-11.15 Campra (S). Vitt only — Open University — 6.00-6.40 em and 6.20-6.40 pm and for Scottieli students only: 12.00-1.00 am. RADIO 4

6.00-6.40 am and 6.20-6.40 pm and for Scottish students only: 12.00-1.00 am. RADIO 4
6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping forecest. 6.30 Today, including 6.45 Praysr for the Day, 7.00, 8.00 Today's News, 7.30, 8.30 News headlines, 7.45 Thought for the Day. 8.35 The Week on 4. 8.45 Miles Kington with the BBC Sound Archives. 9.00 News. 9.05 Start the Week with Melvyn Brags. 10.00 News. 10.92 From Dur Own Correspondent. 10.30 Daily Service (S). 10.45 Story Time. 11.00 News. 11.05 The Company's Blade (S). 11.50 Weighin. 12.00 News. 12.22 pm You and Yours. 12.27 Brain of Britain 1980 (S). 12.55 Weather: programma naws. 1.00 The World At One. 1.40 The Archers. 1.55 Shipping forecest. 2.00 News. 2.02 Waman's Hour. 3.00 News. 3.02 Listen With Mother. 3.15 Alternoon Theatre (S). 4.45 Short Story. 5.00 PM, News magazine. 5.50 Shipping

BBC Radio London 5.00 am As Radio 2. 6.30 Rush Hour. 10.03 The Robbie Vincent Tele-phane Programme. 1.03 pm London Live. 4.30 London News Desk. 5.35 Look, Stop, Listen. 7.03 Black Londonars. 8.00 Question Time from the House of Commons. 9.00-6.00 am Join Radio 2. London Broadcasting

Capital Radio
6.00 mm Mike Smith's Breakfast
Show (5), 9.00 Michael Aspol (5).
12.00 Mike Allen (S), 1.00 pm London
Todey First Report (S), 1.10 Mike
Allen (continued), 2.00 Reque Scort
(S), 7.00 London Todey (5), 7.30
Adrian Love's Open Line (5), 9.00
Allan "Flutt" Freeman (S), 10.50
"The Hound of the Bankervilles"
Sir Arthur Conan Doyle (S), 11.00 Teny
Myatt's Lete Show (S), 2.00 am Peter
Young's Night Flight (S),

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Drury Lane

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Sweeney Todd by B. A. YOUNG

Stephen Southeim is a capable first place it really isn't quite its floating walkways, its oddly musician one of whose greatest good enough for that, in the gifts is the inspiration of con-second place nair ine worms of lost, and in the third place it lost, and in the third place it Overtures won him a Tony and two Drama Desk Awards, and made what was then a record loss for its backers. Sweeney Todd has just closed in New York without making a profit. The Driny Lane production is virtually the Broadway producthe judge who originally sen-tion on a reduced scale. There tended him to transportation is much about it that I admire, but I would not myself have

Clare yes.

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The truth is that Mr Sond mad beggar-woman turns out heim consistently aims above his target. The tale of the Demon Barber of Fleet Street has always been good enter and the boy Tobias who can tainment, and Christopher expose the whole scheme comes. Bond's version of it, which is ap from the sewers and sits the basis of Hugh Wheeler's Sweeney's throat with his own oook, is a good one with a touch a of social criticism in it. No reaof social criticism in it. No readout we've had to wait too long, vson why a melodrama shouldn't and to sit through music that have melodramatic music to so with it; but the music for Sweeney Todd doesn't fit. Mr Sondheim belongs to what one might call the "wrong note" school, and Side by Side by Sondheim demonstrated that there's nothing wrong with that. But the Sweency Todd music sounds as if it were meant for

Covent Garden

Giselle

tion supervised by Norman

ing of James Bailey's pleasing

a deepening of understanding, a

effects, so that this dear survivor

beautiful. With the Kirov

purifying and sharpening of tion.

drama and dance clear, cogent, full rein

is unacceptably slow.

Not until the end, when climax follows climax, does the tale begin to grip, when Sweeney almost kills his loanslost daughter by mistake, when (no need to go into the detrais) finally finds himself in the fatal barber's chair, when the to be Sweeney's former wife, when Mrs. Lovett the pie-maker is thrust live into her own oven, razor. Marvellous stuff, this; only touches the popular make when it slips into sentimental vulgarity (as in "Not while I'm around").

Of course we can always divert ourselves with the a sense of adventure as Tobias. scenery, for Hal Prince is the There is no dancing, save on director, and as we can see in Evita he has a magician's touch dances Mrs. Lovett into the in converting thin entertain- furnace; the chorus, drilled by an opera, with its duets and ment into wonderment. Eugene Larry Fuller, is for pictorial trios and idees fixes, and in the Lee's peripatetic scenery, with purposes only.

After five years out of the The drama seems unreal as production, in sum, is vapid in

Giselle, making a début under

some sinew to his characterisa-

It is significant that the mad-

repertory, Giselle has returned peasants and courtiers smirk manner as in appearance.

to the Opera House in a produc-tion supervised by Norman urgent nothing convincing, Morrice What we see it is save i the directness and power

Morrice. What we see is, in of Stephen Jefferies as an out-

effect, the old staging of the standing Hilarion. Marguerite 1960s amid a dreadful refurbish. Porter is a milky, soft-grained

1946 designs. The Royal Ballet difficult circumstances; David has danced Giselle since 1934. Wall, that notable Albrecht, and the passage of nearly half fights manfully against the suracentury should have brought rounding flabbiness to give

might still be recognised as a scene reaches its high-point

masterpiece of Romantic dance. when Giselle is dead and

What is so fine in comparable Jefferies and Wall, dance actors stagings—the Royal Danes' of the first calibre, can confront La Sylphide, the Kirov Giselle each other and show how artists

is a grand simplicity of may surmount any obstacle means, all excess trimmed, the when their emotions are allowed

beautiful. With the Kirov Act 2 is much superior in Giselle, especially, there is also decoration the setting is brood-a sense that every artist on stage ingly like the forest scene respects the ballet, and is able described by Gantier Hilarion's

to work in common stylistic entry, pursued by Wilks is ex-harmony to de honour to it. cellent; his death, driven into

None of this is evident in the the wings is ineffectual—unless new Royal production. It starts one supposes his fate is to see with the disadvantage of the first act designs again. There

ferociously cute designs for Act are pretty. Romantic groupings I—a Walt Disney fantasy land for the Wills, atmospheric light-scape before which peasants in mass happy to see stage traps fleuncing, billowing skirts; the used for Giselle's materialisation and final descent back into

boys in sashes and too much tion and final descent back into embroidery) pose themselves in the earth. David Wall soars

operetta fashion. Enter a hunt-ardently as Albrecht; Pippa

ing party in dress apparently Wylde is a promising Myrtha: inspired by the engravings of Marguerite Porter seems as yet

the first Giselle from Les a tremulous Wili. But there is

Beautés de l'Opéra, but improb- little dramatic force to the pro-

ably rainbow-hued, and wildly duction: Albrecht does not take over-upholstered. From these refuge close against the cross-disadvantage points they posture on Giselle's tomb; we are not

by CLEMENT CRISP

relevant machinery in the wings (that blows a screaming whistle to mark crises), its series of trucks hauled on by the poor of Victorian London to set the scenes in the big empty space centre-stage, is fascinating. The playing is good too. Denis

Quilley is a properly sinister figure as the eponymous barber who conveys Sweeney's increasing devotion to killing for its own sake ("I think I miss you less and less with every day," he sings of one of the characters for whom he first went into the vicious trade). He sings admirably, and it is not his fault if his words have sometimes to fight unbeatable opposition from the composer or the pit band. As for Sheila Hancock as his pie-cooking confederate, she is as funny as you could sibly hope for, and curiously lovable as well. Romance is offered by two pretty young people, Andrew C. Wadsworth as Anthony the sailor and Mandy More as the girl Johanna, and Michael Staniforth provides the occasion when Sweeney

The appearance of Natalya

Makarova and Anthony Dowell

on Saturday night cut through

the indecisions of the staging

like a laser beam through fudge.

Here was the dramatic purpose

and emotional drive the pre-

sentation needs. Makarova, in a

role which is sublimely hers,

offers standards of artistry

which should be those of the

entire ballet: an organic, broad-

spanning concept of the action;

lishes the poetic truth of the

Romantic manner for our time.

she prepares the development

of the drama. When Berthe re-

counts the Wili legend,

Makarova shows us Giselle sud-

denly isolated. She foresees her fate, knows in that instant that

Loys will betray her, when she

turns and clasps his hand for

reassurance, she has only briefly

alleved her fears. Thus the Wili

Giselle already exists in the

peasant girl's imagination, and

In matter of dancing,

Makarova's lightness, the genue

clarity and floating amplitude

of her manner, the ravishingly

nuanced dynamics which hold

and stretch a phrase on the air,

are uniquely beautiful. The peasant girl seems to drift into

the dance from an inner dream-

world; the Wili has a solemn,

contemplative grace which

enables the role, and the pro-

Dowell, passionate in feeling,

vivid in gesture, bold in dance,

duction.

helped to understand the great is an ideal partner, so that the

How potent the way in which

a dance style which re-estab-



Glyndebourne

Der Rosenkavalier

by RONALD CRICHTON

Glyndebourne's first Rosenkavalier 21 years ago belonged to an age now over. Conductor Ludwig, designer Messel and, Imperial Tobacco. Bernard Haitink is now the conductor, John Cox the producer. The veteran Erté from Paris is the tions were received with deserved enthusiasm, but since opera) unusual enough to draw special attention, one aspect at least of the musical perform-

ance shall be described first. Haitink and the London Philharmonic succeeded beyond expectation in adjusting Strauss's orchestral exuberance to the Glyndebourne orchestra pit and auditorium. A high proportion of Hofmannsthal's words came over, with minimal loss to musical energy. Both instrumental texture and the rhythms were marvellously alive, the wind inevitably predominating but with more sheen on the string tone than one always hears in this house. There was much revealing detail (in the accompaniment to the Marschallin's "Die Zeit. die ist ein sonderbar Ding," for instance) and more than once a tartness fated to be smoothed out in sumptuously saturated, "big" performances.

Cox and Erte have moved the period forward about a century of the reign of Maria Theresa" nearer to the time of Nutcracker deliberately) portrayed crinolines, ugly corkectew ring- discreet economy—the final zacchi, lets and deshing Hussar uni- humiliation of Ochs being one of our gifted but sadly shortlived Claud Lovat Fraser haps the most original performances. Stephen (designer of the Playfair character-portrayal of the even-conducts two of these.

Beggar's Opera) and like him prefers clearly-defined areas of with drink and open-air life but bright, singing colours. The not gone far to seed, selfish and results are un-Teutonic enough crafty but superficially pleasant to send a current of shock more recently, producer Ebert through that broad middle band are all gone. Saturday brought of Central Europe where colours a new production, sponsored by get muddied. The charms of Imperial Tohacco. Bernard these sets and costumes are not conventionally Viennese.

Erté's long experience has scenes of Straussian length are who own. The hues of the princely palace (but was the Marschallin the kind of woman who would have bothered much about interior decoration?) are appropriately outdone by nouveau-riche Faninal's scarlet ing about neithe and black. Like them or not, features betray. Erté's designs come as a salumess all around us in today's theatre. No young designer. however different his or her aim, could fail to learn something this super-professional

Against this background Cox brings out the essentially intimate domestic comedy at the narrative line is uncluttered: shorter. Scenes often (and and La Boutique Fantasque— shambles are handled here with

ing. a man still young, ruddy enough almost to get by. Mr. Gramm's singing and speech inflections beautifully match his

عكرامن الأحمل

appearance. The Marschallin of Rachel Yakar (a memorable Elvira in Peter Hall's 1977 Don Giovanni) been mainly in the field of light is equally unlike the stereoentertainment, where effects type. No pseudo-Lehmann airs new designer. Their contribu- must be made quickly and where and graces, but a young woman knows and speaks her unlikely. In this Rosenkavalier mind, a Mediterranean grandee's the visual aspect is (for this any danger that we might, for wife, more Eugenie than example, have a surfeit of the Victoria in her regally-worn Marschallin's salmon-pink bed- Winterhalter gown for the last room is circumvented by a act. Much of the role lies swift, baroque-style transforma- in a not entirely comfortable tion into a Wedgwood-blue register, but the phrases make boudoir. Och's costume in this musical sense and the words, act is a coup de théâtre on its authentically Viennese or not. are most firmly pronounced. The same can not, alas, be said for the Sophie. The Hungarian Krisztina Laki voices her soaring lines with smoothness and ing about neither lips nor blank Felicity Lott's Octavian won

the audience from the first warm-hearted utterance. Lanky, impulsive, the only natural aristocrat on the stage, and on the first night the only principal with an unfettered (but always mobility of facial expression. What is more, Miss Lott was singing with a new fullness and freedom. Derek heart of Strauss and Hofmann- Hammond-Stroud was a fussy sthal's generous canvas. The Drosselmeyer of a Faninal, Rae Woodland verv positive from the librettist's "early years the opera has never seemed duenna. The remaining small parts were soundly, not outthem, like Annina and Valzacchi, were overdressed. Elizabeth Harwood and Artur forms. Erte is a contemporary of them). The Ochs of Donald Korn take over the Marschallin Gramm, as it happens, is per- and Ochs for six of the later the most original performances. Stephen Barlow

Christ Church, Spitalfields

Lucio Silla

by MAX LOPPERT

Spitalfields this as the first complete performance of Mozart's opera seria in this country in modern times. What we had on Thursday evening was a distinguished account of a score a good deal extensive (the disappearance of yardage of recitativo secco proved less troublesome); and withal, a concert that began at 8 finished at 11.15. Better to have removed whole several of less immediately remarkable arias and to have kept the remainder intact; better also to have begun earlier. Lucio Sillo, written when Mozart was 16-it was has last

opera for Italy—is a grand.

copious score, splendidly wrought. Each time I hear it (a well-cast BASF recording has now) I find that the portion thereof that sounds mature, alive dramatically and seems to have ' Mozartian '' enlarged and that the merely proficient portion — merely for the teenage Mozart being carefully focused as understood to read "astoundto have shrunk. All the accompanied recitatives strike fire; all the arias for the prime uomo. Cecilius and most, if not all, of those for the prima donna. cinctness of gesture, a cropping tion. for dramatic ends of an aria's Brendel's performance.

full repetition? contrast, delightful in combina-

publicity for the Palmer a superbly eloquent Festival promised exponent-fiery, keenly rhythmic, passionate and dignified in every phrase. Junia was Yvonne Kenny, very fleet and pretty of tone though a touch small in vocal scale for the tragic ing hardly an aria was patrizia Kwella (Celia) must presented without internal now expunse from her aria spinoins pathos implicit in the music. sometimes quite its Stich-Randall-type flutings and cooings. Kathleen Livingstone as Cinna was a last-minute replacement for whom no

The relative insignificance of the tenor title role, which Mozart reduced at a late stage to accommodate an inefficient Langridge to work too hard-the danger point of expostulapassed. Not only the reverberant church acoustics but also the hands of the clock seemed to be influencing some of Richard Hickox's more hurtling tempos. His air of enthusiasm for the work proved infectious though, and the City of London Sinfonia and Richard Hickox Singers supported him with glorious building would allow.

A brief word Brendel's Festival Hall recital on Friday, given in aid of St. Peter's Research Trust. In Haydn (the C minor Sonata, Juria. grapple music to a H.XIV 20) and Beethoven (Op. characterisation dimly rendered 31 no. 2) the pianist was heard H.XIV 20) and Beethoven (Op. in Gamerra's libretto. Mozart's at his peerless best-a classical inexperience we measure only artist by whom form, diction, because Idomeneo lurks in our colouring, and dramatic gesture mind's ear and sometimes we are rendered lucid in exposition wait in vain for a similar suc- and inextricable in combina-The whole tone of leisurely course. But in a strangely personal: the light. concert hall performance who dry, luminously singing quality would complain when limpid of his touch reminded one of vocal music, sometimes elabor- singers like Panzera or Husch, ately ornate, comes round for artists at once self-effacing and unrepeatably original. But then, Four high voices, of great in Schubert's B flat Sonata, address and fearsome range, are D.960, self-consciousness crept demanded; the four of Thurs in to modify the impression. day's concert were excellent in Much of the music seemed to be sounded in a demonstration of tion, skilful in overcoming Schubert's greatness. The re-hair-raising tests of florid writ-sult, still inimitably beautiful. ing. Cecilius, in 1772 a soprano lacked an essential measure of castrato part, found in Felicity lyrical simplicity.

Samuel Barber

by ANDREW CLEMENTS

This year at Spitalfields ment as a finale lacks the contemporary music focuses on courage of its convictions) leads main celebration was Friday evening's concert, given by the London Sinfonietta with the attend, but was too ill to make the journey from the United

States. The programme was well judged to encapsulate Earber's 30 years of his composing career, from the Serenade for of Strauss and Reger, to the Summer Music for wind quintet of 1956. Success came early to Dover Beach and of the string quartet op. II (the performance here providing a welcome oppor-

Samuel Barber, in a survey of to an unforced lyricism that instrumental and vocal works later he was only to recapture to honour his 70th birthday. The rarely. In a handful of works-the quartet and Dorcr Beach, as

well as the remarkable evocation soprano Vivien Townley. The of an American childhood composer had planned to Knowille. Summer of 1915. to Knorville, Summer of 1915, take played at Christ Church in its version for soprano with piano instead of the vividly imaginative chamber orchestral accompaniment, and the violin conachievement. It covered the first certo, which the organisers could profitably have included somewhere in the festivalstring quartet op. 1. which Earber established his own betrays the undigested influence brand of "neo-romanticism" brand of "neo-romanticism" that managed to avoid almost all kinds of expressive chromaticism. When his music did become more chromatic in the Barber; the freshness of the 1950s, it lost its personality. By setting of Matthew Arnold's concentrating on the earlier music, the Spitalfields Festival gave us the most valuable portion of his output.

It goes almost without mentioning that performances by the Sinfonietta players were uniformly excellent. Their quartet of strings generally favours a lean sound, to which the marvellous acoustic of the church lent an appropriate warmth; the long-limbed oboe solos in Summer Music were very beautifully played by Gareth Hulse. The only dis-Gareth Hulse. The only disappointment of the evening was Miss Townley's singing: much of it was extravagantly dramatic and unfocussed, and quite inappropriate to the gentle con-tours of Barber's vocal lines. It made Knoxville in particular a considerable test of endurance for the listener.

Elizabeth Hall

Dorati's Missa Brevis

The attitudes implicit in these crisis for Giselle, who must couple's interpretation of the debilitating designs are those dance both to save and destroy second act seems the manifesta-

of the production in this art, the man she has loved. The tion of a single artistic impulse.

cycle in the Festival Hall, ing us that the conductor is also Byzantine." But Kodaly must a composer. The first British also have been flattered by the performance of Dorati's Missa style of its choral writing.

Brevis formed the centreplece which echoes his own; Dorati's s. Carlos Chavez's Toccata for percussion, a substantial threemovement piece written in 1942 use of percussion (six players) - Dorati's mass was written as the only accompaniment.
shortly after the end of the The percussion is used eco-Second World War. In a memoir nomically, only untuned instru-

appeared at first hearing a possible miscalculation was the

As a well-timed appendix to reprinted in the programme ments are included, though Antal Dorai's current Brahms booklet, Dorati recounts how he high, medium and low cymba's showed the work to Kodaly at and gongs create decorative Saturday night's concert by the their first meeting after the patterns and the Agnus Dei is Collegium Musicum of London war, and how the elder comframed by a short paragraph took the opportunity of remind poser pronounced it "Quite for the percussion alone. But of an enterprising programme confident use of the choir, most empty and unnecessary. The conducted by Lazlo Heltay, memorably in the unaccommess contains many beautiful Flanking it were Kodaly's Missa panied sections, suggests a moments, not least when modal Bravis and a considerable rarity, highly experienced hand. What lines suddenly deepen into less cluttered.

when isolated instruments are used to punctuate the choral writing cymbals in the Gloria, for example—the effect seems mass contains many beautiful lines suddenly deepen into clear diatonic harmony; without accompanying instruments of any kind the total impression might have been cleaner and

Royal Academy

Cushion Concerts by RICHARD JOSEPH

are not a new idea-the Philhomusica used to present a regular series there until a few vears ago—but the Cushion Concerts presented by Youth and Music with W. H. Smith's support have the merit of wide ranging, worthy programmes and low prices. Thursday night's event was a plano recital by Michel Beroff, ending suitably with Mussorgsky's Pictures at an Exhibition; the Chair of King's College, Cambridge, and The Academy of Ancient Music appear on subsequent Thurs-

Beroff is no longer the neat, diligent pianist that picked up prizes and recording contracts while still a teenager a dozen years ago. His range of sound is greater, he takes a few welljudged risks and he brings a ANDREW CLEMENTS greater imaginative response to flawed execution, and this

-but also for poetry. The most interesting phrases in the performance were characterised by subito piano articulation which drew the dramatic progress of the Sonata in a new, different direction each time.

This slightly approach was better suited to Schumann's C major Fantasia. The rambling first movement found its many points of rest naturally, without being forcefully subdued; in the slow finale Beroff sustained a steady, calm tempo without losing the music's thread, even if Schumann's transcendent coda was not fully realised.

Faster passages of the middle movement showed some lack of concentration, with consequently

Concerts during the Royal his material. Beethoven's Op. 13 tendency reappeared at some of Academy Summer Exhibition Sonata (the Pathetique) was the tougher corners of Mussorgthe tougher corners of Mussorgplayed for clarity—no easy task sky's *Pictures*. By way of conin the Academy's boomy salons trast, Beroff here offered bigger, more boldly drawn playing, which seemed to fight shy only of the more literal and pictorial aspects of the composer's

> week-end of the dancer and designer Norman McDowell. Born in Belfast in 1931, Norman McDowell trained at the Sadler's Wells School and with Vera Volkova. He worked as a dancer with many companies. including Ballet Rambert and the Original Ballet Russe, and created the leading role in Jack Carter's Witch Boy. As a

designer he provided decoration

Norman McDowell The death ocurred at the for more than 40 ballets veek-end of the dancer and throughout the world; as a director he had headed London Dance Theatre, which gave exceptional performances during

tunity to appreciate the Adagio

in its original context, though

the mid 1960s. Everything Norman McDowell did was infused with his love of the theatre and a sure taste for decorative elegance and fantasy. He gave much, and generously, to British ballet.

CRICKET TREVOR BALLEY

Absent Sussex fans miss good day

shire this weekend can hardly be termed a major cricketing batting. Pocock is an in-

pionship match this summer and attack was insipid and their are 16th and 17th in the table. outfielding looked ordinary.

Saturday at Hove. Those Sussex fans who stayed Those Sussex fans who stayed Smith appears likely to do away missed one of their club's well in domestic cricket, while good days. There was a fine Tremlett and Nicholas are proceptury from Imran and good mising batsmen, although they innings, of different character, failed to survive a torrid burst

final stage. predictable and inevitable. Sussex finished fourth last
Last season they were among year and no one expected them
the weaker counties and still to be languishing at the foot of recovering from the departure the championship table in July. of Richards. Roberts, Gilliatt unable to make much impresand Sainsbury. Now they are sion in the Sunday league, and without the services of their the Gillette Cup providing their

hest batsman, Greenwich and last lope of securing in honour, their best bowler, Marshall.

The club has signed on exciting Mandad, who would

THE MEETING of neighbours be expected to cover two world-take.

But and old rivals Sussex and Hamp class cricketers.

But a subject to the su Hampshire are short of class

occasion. experienced captain, which Both have yet to win a cham showed on Saturday. Their This was reflected by the They must hope some of the small attendance of about 1,700, young players will take the including members, on a fine opportunity to establish themselves.

Smith appears likely to do Wells. Phillipson and of fast bowling in the closing Roux plus hostile bowling in the stages. There are growing final stage. Hampshire's lean spell was keeping of Jim Parks' son for

Smith, a promising South surely have provided runs and appreciate that to win first-class African, and the Australian entertainment on a large scale matches, as distinct from Graf, but they cannot for at least a decade, was a mis- limited-overs games, the oppo-

But they acquired Le Roux, a The chance of achieving this genuine fast bowler and a will improve if they employ dangerous striker of the ball. Imran and Le Roux as a double On paper, they looked stronger spearhead. It is hard to underthan most of their rivals. What has gone wrong? One

main reason le injuries. Against Hampshire, they were without Wessels, Graves, Long and Parker Barclay was missing throughout the monsoons of June, when his offbreaks, apart brought them the odd victory. Long term, these injuries could prove a bonus, because they brought in an exceptional young cricketer. Wells. If he

continues to strike the ball as

he did against Hampshire, he

has come to stay, especially as he is also a useful third, or fourth seamer. Barclay captained Sussex on Saturday and will presumably take over when Long retires. In

the next few seasons, the team under his command should have a successful run. But the county

The chance of achieving this stand why they have seldom operated together this season. Sussex have also been having

financial problems, which they hope to overcome by increasing revenue from such activities as a new lottery, and sponsorship. They will also need to prune from his batting, might have the size of their playing staff.

The match provided another example of the weakness of the 100-over limit on the first innings as a preparation for test cricket. At tea, Sussex were 307 for three off 88 overs. Instead of having to bowl out the opposition—when bowling becomes hard work—Hampshire, with the aid of far-flung Sunday afternoon fields, settled -not very efficiently-on con-

This meant the batsmen had to resort to improvisation, fast running and agricultural slogs rather than batsmanship. cost the talented Wells what should have been his first TENNIS BY JOHN BARRETT

The Bjorn Borg legend grows

superstar, added a fifth consecutive Wimbledon singles title to his already bulging trophy bag on Saturday. It was a dramatic, McEnroe. Borg won 1-6, 7-5. 6-3, 6-7, 8-6 after three hours and 53 minutes of fierce, furious tennis.

It was the classic confronta- in the final. tion; world number one against world number two; defending importance of the occasion. It champion against most-talented challenger; best-serving volleyer versus best exponent of service return and top-spin pass; top European versus American faster. champion: the most explosively volatile player against the

coolest. I saw Borg win their last match—a spellbinding 6-7, 6-3, 7-6 victory in New York, usual back court game or to times McEnroe held set point. January. In seven matches earlier rounds, since 1978, Borg has won four He survived and McEnroe three. I knew that given the occasion and the setting to fit their talents, these two were capable of producing 7-5 when he forced the at a volley and put it into the

Bjorn Borg, Sweden's sporting towards one another from the top and bottom of the draw through 11 slithering days of damp courts and leaden skies. Borg was without his customary at times heroic, final, against scare, but McEnroe was within the left-handed American John a few points of defeat in round two against the unknown Australian Terry Rocavert on noisy being set for a perfect setting

> Even the gods sensed the was a perfect summer's day, and the vociferous fans warmed the atmosphere of an expectant Centre Court that was playing

Borg was rocked by the vioience of McEnroe's early onslaught, and lost the first set 1—6 in 27 minutes. He was in the Masters semi-final last volley more, as he had in Each man answered these

He survived three break such courageous, daring winpoints in the ninth game of the ners, that the tension became second set after exactly an imbearable. On American to volley into the net. net.

important." Borg said later. "If disappointing to lose that tiehave been very difficult to stop

The nine-game third set saw Borg serving better and at last match." beginning to time his returns off the flerce McEnroe service. When he broke the American bring of immortality-the fifth title within his grasp.

But McEnroe saved the two PARTEIRA

The absorbing 34-point tiebreak which followed confirmed it. Borg reached championship unsure whether to rely on his point five times more. Six threats with such brilliance,

I had lost that set, it would break," he said. "I kept thinking of all those match points at the start of the third set. I thought maybe I shall lose the

But the concern was not apparent as he retained a slender lead throughout the Court Three. The stage was to lead 5-4 in the fourth set, fifth set. In his seven service Borg seemed poised on the games which left him 7-6 ahead, he lost only three points. Seven times he held points

to break the McEnroe serve. set points—the second with a four in the second game and top-spin forehand drive-volley- three in the fifth. Each time the and broke back with a daring American recovered from 0-40. cross court backhand pass. It Clearly McEnroe was feeling the signalled the strength of his strain—partly no doubt because of his gruelling semi-final the day before against Jimmy Connors, followed by a losing doubles semi-final, on a day

when Borg rested. Suddenly McEnroe 15-40 on his serve, an eighth championship point against him. As he raced forward on tiring legs, Borg struck a perfect double-handed backhand pass hour. Moments later he won it seventh chance Borg snatched across him. McEnroe lunged and missed, and Borg sank to his knees in ecstasy and relica-

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When cash limits pinch

announce tomorrow that they were to invest £100m a year in new plant for the assembly of telephone exchanges, the Government would presumably welcome this as an instance of industrial regeneration going on below the facade of Britain's recession. But if the Post Office were to buy the output of GEC's new factories in order to accelerate its OWD re-equipment programme the Government's response would be different. There might be a political crisis, calls for the Post Office chairman's resignation or accusations of an

It should be easy for Government Ministers, with their strong awareness of the distinction between marketed and unmarketed production, to see that profitable industrial investment, whether it is undertaken financial strategy. by GEC, ICI, the Post Office or the Electricity Council, contributes to Britain's productive capacity. Investment should be one of the principal economic goals of Government policy. Yet it has become increasingly clear from recent statements by Post Office and British Rail executives that in their view the Government's public spending policies could endanger important and commercially desirable investment projects in the public sector. This would have repercussions not only on service levels and prices, but also on parts of private industry which are customers and suppliers to State corporations.

Ambivalence

Within the Government itself there is a good deal of ambivalence about the links between nationalised industry investment and public spending. Ministers have referred to the "taking nationalised industry's whole operation out of the Govern-ment's balance sheet" and to "the absurdity of getting investment programmes muddled up with the level of the rate support grant." But at the same time, the Government has made a huge reduction in nationalised industry borrowing, a central pillar of its medium term spending plans, and hence of

its whole economic strategy. This quandary makes a ment of nationalised industries worthwhile. On one hand, as dom. ment or raising their charges limits

release resources for the "productive" parts of the economy. Worse, if public corporations are forced to delay investment or generate excessive entreligent to compensate for sive surpluses to compensate for overspending in other parts of the public sector, the productive sector of the economy suffers directly in a way that is concealed by the public spending

If on the other hand, the nationalised industries fail to produce the £2.7bn financial turnaround that is demanded by the Government's spending plans—and almost without exception the industries managers are sceptical about the possibility of meeting their targets—there will be a loss of confidence in the control of public spending, with adverse effects on the Government's

industries more scope to in-crease their investment in proruptcy.

However, neither of these problems is necessarily insurmountable. There are alternatives to financing the whole of the industries' investments a through fixed-interest borrowing on the gilt-edged market, as British Gas and British Rail have demonstrated with their proposals for a North Sea pipeline and a Channel Tunnel

The most important difficulties about segregating genuine investment from operating subthe Government distinguished clearly between "lame ducks," such as British Steel, and the successful industries which, over a period of years, meet reconsideration of the treat- their financial targets. Nothing could fit more naturally in the national accounts, and of the Government's general outthe financial limits imposed on look than to reward success them by Government policy, with greater commercial free The trick will be to find many industrialists now recog-nise, cuts in public spending this without abandoning the which are achieved by reducing desirable disciplines imposed by nationalised industries' invest- the present short-term cash

The next team in Brussels

IN PRACTICE, it is only once ments will allow every four years that EEC However strong President of the European Com- restore

Thorn of Luxembourg. He is a good choice. What the Governments have failed to do is to use the opportunity of the changeover to take stock of the general way in which the Commission works and consider proposals for reform. It would have been a particularly good moment to do so, given that Greek entry in 1981 will coincide with the installation of the new Commission in Brussels, raising the number of its members from an already excessive

Another reason for looking at the matter now is that one of the most common proposals for reform concerns the way in Commissioners selected. If M. Thorn is to be given greater freedom to choose his own team than his predecessors have enjoyed, then he must soon he told so. Of course, Governments want to keep control over the Commission's composition by putting forward their own nominees. But if they want an executive that runs efficiently (and perhaps they sometimes don't) it would make sense to give the President a greater say in putting together a group of people that can work together with some coherence.

It is perhaps too early to assess what influence M. Thorn will have in the choice of his colleagues. It is not yet clear whether he intends to carry on as Luxembourg Foreign Minus-ter and thus, by a quirk of fate, President of the Community's most important institution, the six months before he assumes his new function. The institu-tional confusion that this would create was one reason for France's hesitation in agreeing to his appointment. It would be better if he were now to step down as Foreign Minister and concentrate on assembling as can afford to take the risk of strong a team for the Commission as the member Governa good team.

Governments appoint a new Thorn will be hard put to mission. This time, after con-authority to anything resembl-siderable debate, they have ing that which it enjoyed in finally settled on M. Gaston the Community's heady early days. If the power balance has tilted consistently towards the Council of Ministers in the last 15 years, it is not totally the Commission's fault. Governments have moved into new areas of policy co-operation beyond those specified in the Rome Treaty, in which the clearly defined, and nationalism of France Britain has militated against the central institutions.

> The Commission itself, however, is not without blame. Its members have allowed themselves to an increasing degree to become representatives of their own national Governments and interests rather than the de-fenders of the "European" interest as the "founding fathers" intended. Rather than trying to lead Governments, the Commission all too often acts as a forum for pre-negotiations between competing national in-terests. When it takes an independent stand, as on farm prices, it climbs down only too readily when it runs into opposition.

If, however, the Community is to function properly, the Com-mission has a vital role to play as a policy initiator and a mediator in disputes. It should be streamlined through a reduc-tion in the number of Commissioners to a maximum of one per country, particularly as Spanish and Portuguese entry lies ahead. There are already too many Commissioners for the jobs available, and an effective important once the Council of Ministers grows from nine to 12 member Governments. The paradox is that Governments want a Commission that is both efficient at carrying out executive tasks and inefficient as a political operator. But they can afford to take the risk of

the Commission

Vital role

Rational

There are two major difficul-ties in formulating a more rational policy on nationalises industry financing. First, while it may be desirable to give the fitable projects, it is obviously necessary to prevent them from borrowing merely to finance losses, inefficiency or excessive wages. Second, since their borrowings are guaranteed by the Government and since they cannot issue equity, it is impossible for them to raise capital in strict competition with private sector businesses. They are not, after all, subject to the discipline of possible bank-

diminished by the fact that the benefits are highly unevenly spread. They are concentrated almost exclusively on South Africa and the Soviet Union, which mine the lion's share of the world's gold; on the central banks and treasuries of the West's 10 leading industrialised countries, which own 85 per cent of monetary gold reserves;

Gold suppliers get wise to a surge in demand

By DAVID MARSH in London and BERNARD SIMON in Johannesburg

AR-REACHING changes in number of individuals and insupply and demand patterns on the world gold sighted or frightened enough to have sunk their savings into World War III scares as the main driving force behind the soaming bullion price.

At the beginning of January, in the nerve-wracking aftermath of the Soviet invasion of Afghanistan, the gold market was in a state of "boom and bust," to use the words of Mr. Paul Volcker, the chairman of the U.S. Federal Reserve, Stability-minded central bankers joined with the rest of the world in gawping disbelievingly at a bullion price of \$850 per

Six months later, gold no longer occupies the same place in the headlines. Yet the price is edging back towards \$700 per ounce, still more than double the level of a year ago, and around \$200 above the shortlived low of \$470 reached during the U.S. financial squeeze in March.

This time panic buying is not to blame although there are still obviously large-scale speculators around. Instead, the market seems to be reacting to the likelihood that supplies to the

> "Gold may have no official status. But it is not unloved."

western bullion markets could be cut very sharply this year. One fundamental reason for the likely supply squeeze is that gold has clearly regained an important, though informal, place in the international monetary system.

After a decade of debate over whether the metal should be demonetised," central banks and governments are now in no doubt about the usefulness of the greatly increased value of their gold reserves. This has had two important reper-cussions on the market. It has lowered the readiness of official holders to dispose of their stocks, and has increased demand from countries with low gold reserves, in the Middle East and elsewhere, to build up their holdings.

As M. René Larre, general manager of the Basle-based central bankers' bank, the Bank marked drop in gold from the for International Settlements. puts it: "Gold may have no official status in the monetary system. But it is not unloved." The result of these shifts in the gold price will remain around levels which Mr. Volcker

and other central bankers regarded as an aberration at the The significance of this is not

and on the relatively small

the yellow metal.

There are several individual strands to the shake-up in bullion trading patterns. South Africa and the Soviet Union have adopted more flexible sales policies in an effort to keep prices up. Official gold sales by the U.S. Government and the International Monetary Fund, which between them supplied 535 tonnes of gold to the markets last year, have stopped for the moment. In part this reflects misgivings within the U.S. Treasury, the main pro-ponent of "demonetisation," about the wisdom of carrying on with such sales.

Consolidated Gold Fields, the

London-based mining finance house, reckons that total gold supplies to western markets could fall to as little as 1,100 tonnes this year. This would be per cent down on last year and the lowest figure since 1970. On the demand side, a significant new source of buying pressure has been added to the traditional regular purchases by jewellers, dentists, industrial users and private investors. Central banks and governmentconnected institutions from developing countries — ranging from the oil rich Middle East to their poorer relations in Latin America—have emerged as buyers on the market. Many countries are clearly embarked on a strategy of building up

their gold reserves. These purchases from the Third World have been "small but regular," according to Mr David Potts, Consolidated Gold Fields' gold analyst.
Mr Robert Guy, a director at

M. Rothschild and one of the leading figures on the London gold market, makes the point about increased official buying during the last few months: "When the price fell below \$500 this was seen as an extremely attractive opportunity for central bank purchases.' And the chief bullion dealer at one of the big Swiss banks in Zurich observes that "in a market where supplies are hard to come by, this element of central bank demand can make all the difference to the price." One of the main reasons why

supplies are tight-particularly in Zurich—is because of a Soviet Union. Net sales to the West by the Russians, including the small transactions of some of the other members of the Communist bloc, came to only supply and demand may be that 229 tonnes last year, according to Gold Fields. In 1978 the Communists sold 410 tonnes. The Soviet Union has made

no recorded sales at all to the Zurich banks, its traditional outlet to the West, this year. Mr Potts believes the sales figure may fall to 150 tonnes in 1980 —and could be even lower.

Western analysts say the lack of Soviet sales this year may simply indicate the fact that Moscow does not need the cash. Higher prices for oil and other raw materials sold to the West have undoubtedly bolstered foreign exchange reserves. A slowdown in imports

FIGURES ARE IN TOKNES of capital goods as a result of ance Minister, said in March the general cooling of East-West that the country's much im-relations also diminishes the proved balance of payments

OPELI DISTRIBUTION

need for builtion sales. But there has inevitably been speculation—so far impossible to verify—that the Soviets have diversified their sales channels and are arranging bilateral deals with oil-producing coun-

"After six months of holding the end of May from 299 tonnes back supplies from Switzerland, in September—although part of it's almost impossible to believe that they aren't selling somewhere. But there is no evidence at all for any bilateral deals," says one London analyst.

Tentative evidence that the Russians might indeed have financing problems has come from a rather puzzling set of figures from the Bank of England, showing that the Soviet Union withdrew nearly half its foreign currency deposits in London, almost \$1.5bn, during due to many other factors than simply the need to finance, say, the Olympic Games.

Whatever the puzzlement about the reasons, the absence of Soviet gold from Zurich has been a key factor underpinning

Perhaps the Soviets have made gold deals with the oil producers

vided on reason why the Swiss banks have regularly to arrange Swissair charter flights to transport bullion from the London market to Switzerland.

South Africa's selling policies present less of an enigma, as there is more information about them. The Republic prides itself on its reliability as a supplier. Since it depends on gold sales for 46 per cent of exports, it is clearly not in the same position as the Russians to manipulate the market. But it has definitely moved to a more flexible policy aimed at supporting current price levels. Mr. Owen Horwood, the Fin-

Sizeable quantities have evidently been held back recently. petitively. The Reserve Bank's gold holdings had risen to 351 tonnes at

allowed it to withhold gold from

the market. It no longer needed

to sell all current output at

this increase may have been pledged to Swiss banks under swap " arrangements in 1976 and 1977. South Africa has also been

the Swiss banks have been the main losers. The Zurich gold pool had a

virtual monopoly on South African bullion in the late 1960s after the political hostility the first three months of this of the Wilson Government year. But this could have been prompted South Africa to cut prompted South Africa to cut sales to the London market. The London dealers have returned to favour, however. The Reserve Bank refuses to dis-

close how much gold it sells to whom, but mining experts guess that London now takes about per cent of the total, compared with around 55 to 60 per cent going to Switzerland. British dealers are believed to be the only buyers who have been getting at least some gold

and U.S. dealers such as J. Aron and Republic National Bank.

The German and American ment share of Pretoria's bullion sales is currently around 20 per cent, considerably higher than it was a year ago. The German banks in particular enjoy strong finan-cial links with Pretoria. They have managed to raise their offtake by putting in higher bids (thereby accepting a narrower spread) than the Swiss banks: The Reserve Bank's view is that it should sell to the highest bidder," says a mining industry

The South Africans have not been short of inquiries from other sources for their gold.

Hong Kong banks are believed to have been lobbying for some years to be added to the Reserve Bank's list of direct customers. However, high transport and insurance costs for South Africa-Hong Kong traffic makes it difficult for them to bid com-

The big question is whether Pretoria has done any gold-for-oil deals with the Middle East countries which have been major gold investors in recent due to repurchases of gold years. Commercially, such transactions make sense South Africa is officially boycotted by most oil producers. Since the cut-off of Iranian supplies, it making a major effort to has at times found it difficult diversify its markets—and again to secure reliable sources of oil has at times found it difficult And the Reserve Bank could

> slightly by selling direct to the Officials of the South African Chamber of Mines, which sells krugerrands, are known to have visited some Middle East countries normally closed to South African visitors. But there is no firm evidence yet of direct sales or barter agree-ments with buyers in these

probably improve its margins

Oil producers in the Middle East and elsewhere, as well as several other developing countries, have however clearly been buying this year, either on the market or through bilateral arrangements.

Figures compiled by the every working day. Figures compiled by the Since mid-1976 the Reserve International Monetary Fund Bank has also been selling on countries' gold reserves offer the gold price this year. Per- notably Deutsche and Dresdner, on. The statistics provide only an indication often made by quasi-governprivate individuals acting in a semi-official capacity rather then central banks.

None the less the IMF figures show some interesting built up its reserves this year by 1.49m ounces (around 46 appreciating asset tonnes) to a total of 1.77m. The last U.S. gold ounces. Only around 55,000 in November. A ounces of this can be accounted official line remains for by the general redistribution of IMF gold to member moment, the gold market feets countries carried out at the start of the year.

This is the largest individual build-up recorded by the Fund statistics. To put the more, ment in perspective, Indonesia's gold reserves at current prices are now worth just over \$11bm, while those of the U.S. are valued at over \$175bn.

Other countries to have built sources other than the IMF include Libya, fran, Bolivia, Colombia and Peru, with the net amounts added averaging around 200,000 ounces.

Iran's net addition of around 400.000 curces corresponds almost exactly to the 14 tonnes of gold it is known to have withdrawn physically from the UK this year. These shipments from the London market may represent recent purchases withdrawn for fear of an assets freeze over the U.S. bestages

As far as the western central banks are concerned, there seems little to indicate that they will unload supplies of to the market M. Larre makes the point that the industrialised countries can take advantage of the increased value of their gold reserves without needing to sell any of their stocks. Within the EEC, the mechan ism set up under the Eutopean Monetary System allows central banks a painless way of mobilis ing their gold holdings by backed European Currency Units to settle intervention

There is also another way in

The gold market feels that the U.S. will sell no more metal

vhich gold can be used invisibly as a means of which external financing. M. Larre-points out that the large gold stocks owned by countries such as France or Italy increase their them to borrow large amounts. on the Euromarkets.

Some countries might b prompted by the higher gold price to dispose of part of their gold reserves and maybe even make a profit — as Canada did by selling around 11 tonnes of gold earlier this year.

But it appears that governments and central banks whatever their formal comm ment to the merits of pa money, want to hang on to their bullion direct to German banks, a clue to what has been going gold stocks as long as they can-

The experience of the U.S. DIOVIGES: A DO example. Pursuing its twin policy of trying to demonetize the metal and dollar, the U.S. sold 491 tonnes of gold, worth around \$10bn at current prices, during the pa two years—but now seems to be convinced of the short-sightedness of disposing of four

The last U.S. gold auction was in November. Although the official line remains that further auctions might be made at an there will be no more American sales for some time. As M Larre puts it: "They now know

Return flights for Mandarins

As I learned from my canary, Erasmus, a bird with no opportunity to stretch its wings quickly goes off-song and takes to moping on its perch. The same, it seems, applies to the young eagles of the Civil Service. Accordingly, potential high-fliers—with strong homing instincts—are being released in increasing numbers for spells on secondmen industry and commerce. secondment

The latest to fly the coop is 35-year-old Martin Hall, private secretary to Chancellor Sir Geoffrey Howe, who today starts a two- to three-year stint as head of commercial affairs at the Engineering Employers' Federation. Courtesy of the Treasury's new Rent-a-Mandarin service, which now has a dozen people in banks, shipbuilding and other industries, he will service the EEF's economic needs and guide the Federation through the entanglements of the Common Market.

Says director-general Anthony Frodsham: "I am delighted. He is an ideal young man with a future in the Treasury. I hope the experience he gets here will last him well when he returns."

And there will doubtless be much for the EEF to learn. Uncomfortable in its old role as a staid, traditional employers' club, it is anxious to develop more sinew as a pressure group and a reputation more fitting for the CBI's biggest member.

"The posting appeals to my
personal prejudices," Hall confesses. "I have worked overseas
and on the industrial side—and my family comes from steel

country in Sheffield." He reports being agreeably Parting shots surprised by the "flexibility" of his masters who arranged the transfer. "I had met people from the EEF, and the idea sort of bubbled up. I think the Treasury takes the view that if something arises naturally like that it is worth doing."

that there will be more similar valuable commercial experience for ambitious civil servants (while relieving over-crowding tighten the links between Whitehall and business. In the Civil Service Depart-

ment, however, I detect signs that all this to-ing and fro-ing is not exactly popular among the men who have to keep track. There are now 97 "middle management" men from the service in the field, an official tells me. "If you get more of it," he says in resigned yet cautionary tones, "you will have to set up yet another minibureaucracy to deal with it."

Hex casters, white witches and

Witch hunt

allied wand-wavers finding the market for their skills a bit thin over the past century or two should broomstick over to Biggleswade, where occult arts are once more in demand.

The occasion is the Holme Mills festival, August 2 to 3 which aims to recreate a traditional folk fair which lapsed in Victorian times. It will feature euphoniously-named crafts like stocking, bodging and quilling, together with dwile-flunking and bread-baking contests. The only missing ingredient, onty missing ingredient, organiser Stella Chinn tells me over a cauldron of bats' brew, is a white hex caster, to counter black forces striving to sour the milk and rot the bread.
"We are," she said—and I do
not doubt her—"absolutely

Looking forward to a visit to Wimbledon last Friday, British Home Stores' managing director Colin Paterson was told firmly by his chairman, Sir Jack Callard, that he must sacrifice Centre Court thrills for a

retailers' lunch in the City. Even though rebellion would have been understandableafter all, Paterson retires at the end of the month—he dutifully put away his eye-shade and headed East to the Skinners' Hall, where he fell unsuspecting victim to an up-market version of This Is Your Life.

Doubling admirably as Eamonn Andrews, was Robin Althaus, urbane doyen among retail analysts. There too were two dozen of the City's other retail-ing specialists offering an unprecedented thank-you to Paterson for his role in improv-ing contacts between BHS and the Square Mile.

Paterson graciously returned the welter of compliments. have never been un pressure," he remarked. divulge more than would be

Nor did the guest of honour miss his sporting engagement. On closer inspection he found his tickets were for Saturday.

Tourist attraction

Andorra is not the only Euro-pean principality to feel that its unique national flavour has been unfairly represented abroad. Liechtenstein is another plucky little state determined to put the record straight. "As a small country," thunders the government's latest brochure, "it is in Liechtenstein's interests not to tolerate the presence of anyone who could sully its reputation by underhand or illegal by underhand or illegal manoeuvring." In a chilling ultimatum to ne'er-do-wells, it warns that "attempts are made wherever possible to achieve this end."

What could make vulnerable Vaduz so attractive to the massive influx of foreigners and concomitant excess of foreign population ?? reported

The answer," says my man



on the spot, must be the food proper." "You've never had a bad set of figures to explain." National dishes include "Tor-karbeti — corndoor is bolled offered Callard, a salesman for up with milk, water, and salt up with milk water, and salt until a solid mass is obtained Milky coffee is usually served with it." Or, for variety, "Hafalab — wheat and cornflour is mixed up with water to give a dough, which is made into cylindrical loaves and boiled in salt water until the oaves rise to the surface."

Safe house

Fans of Our Leader should form a queue outside the offices of Little Venice Estates, if their enthusiasm extends to paying facing Mrs. Thatcher's nome." The "beautifully appointed residence comes on a 13-year lease—ample time, perhaps, to see Mrs. T. through the peak of her career. While Flood Street may not be the daintiest of the Rings Road backwaters, nervous residents may enjoy what is no doubt a higher-than-youraverage level of attention from

Observer

Architectural gems can be office disasters

Old and new, they're all around you. Even some of the latest office buildings fall: short of their possibilities. Aesthetically pleasing outside, inside they are rarely the bastions of convenience and efficiency they were supposed to be.

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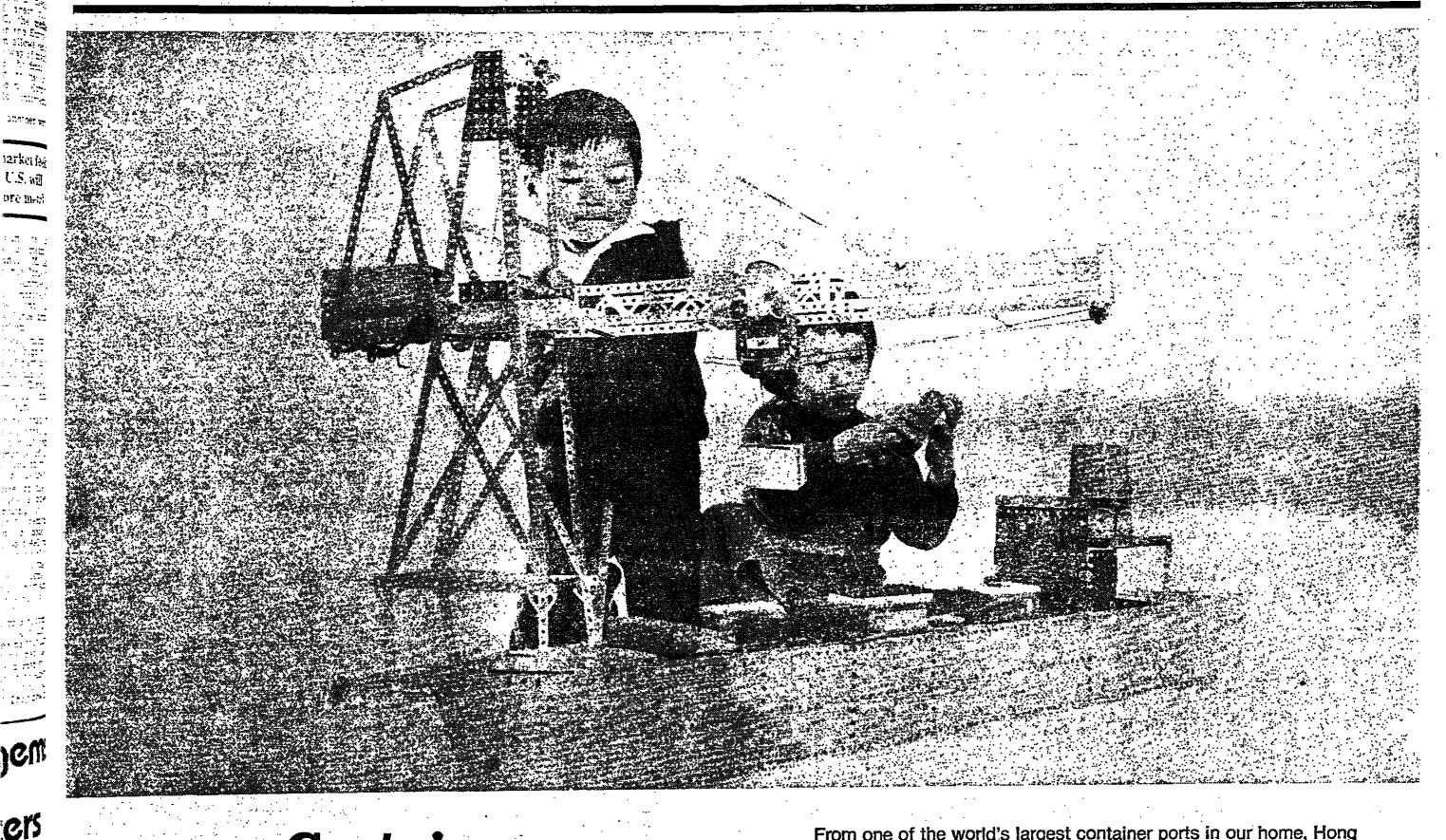
FINANCIAL TIMES SURVEY

Monday July 7 1980

HOIS KOIS

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The colony is advancing quickly. It has had four years of double figure GDP growth and China, which once viewed it as an unhappy necessity, now courts its modern ideas and the wealth which flows from them. But the Government must take a more positive role if the impetus is to be sustained.



Containers, cranes and ships from far places -part of our world. From one of the world's largest container ports in our home, Hong Kong, the Hutchison group's range of activities expand to ship repair and conversion and still further, touching virtually every aspect of the local economy. Beyond this, our merchanting, importing and exporting interests link us with all major commercial, financial and industrial centres in the world.

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Still travelling hopefully on the headlong rush into the future

HONG KONG has travelled very far very fast in the past three nor inclination to stop and suggesting that for this anomalous but very necessary city state it is better to travel hopefully than to arrive anywhere too specific.

The movement has been on two fronts. Most obvious has standing even by Hong Kong's pace-setting standards. Four years of double digit expansion in Gross Domestic Product has more than made up for the 1975/75 recession setbacks and even now with world markets facing severe recession. the figures mostly look surprisingly Government's ebruary forecast of 9 per cent GDP growth for the current year may have to face a little downward revision later this year because of the suddeness of the fall into recession of the UK and U.S. economies. But even the pession are still looking for 6-7 per cent growth

The economic outlook into 1981 is at this stage rather dismal. But Hong Kong can take comfort from the fact that. despite its external trade dependence, it does have its own economic future at least in part in its own hands.

It knows what those hands have wrought—a dynamic and perhaps . uniquely flexible perhaps . uniquely economy, a society entirely imbued with the spirit of commerce. It is difficult for those who live there to realise that in many parts of the world the very word "commercialism." the only "ism" of importance in Hong Kong, has a pejorative air. It is Hong Kong's individualistic commercialism which is at the root of the colony's

success and puts it in spirit closer to the overseas Chinese of South East Asia than to the East Asian economies, Japan and South Korea, where the battalions of heavy investment and large scale organisation and mass discipline are the driving

Hong Kong's other fast moving front has been an altogether less familiar one than commerce' and industry. It is also one where Hong Kong's destiny is almost entirely outside its own hands. That is, the external political environment.

The change in China's attitude stemming from the Four Modernisations policy has had a dramatic effect on the way which Hong Kong is viewed from across the border. Where there was once sullen and silent acceptance of the necesfor this capitalist and colonialist leftover from the past, there is now an almost simplistic yearning for Hong Kong as the fount of modern ideas and their attendant

Chinese zeal

That is reflected in the zeal with which China has moved to attract investment from Hong Kong to create co-operative ventures both in China and in Hong Kong with local and foreign capitalists, and to use the most blatant and banal techniques of modern consumerist advertising to sell its wares in Hong Kong.

At more mundane levels are the close co-operation, on a day to day basis, between officials of Guangdong and Hong Kong on a large number of practical issues such as water supply. Mutual visiting by officials has become commonplace.

At the highest, but least specific level, are the contacts

MacLehose, and the Financial Secretary Sir Philip Haddon-Cave, both of whom visited the capital in the past year.

Meanwhile, back in London the election of a Conservative Government last year has also been a boost to Hong Kong. Under Labour, Hong Kong way at best a nuisance to Britain, at worst a pariah. For Mrs. Government, the Thatcher's City state is a shining example what can happen when the spirit of commercialism unchained. Gone is the talk heard in the corridors of Whitehall two years ago that Britain should be looking for a way out of its responsibilities to Hoag

But improvement in the political climate does not in itself remove the political problems that do exist. These are twofold. Firstly, who should trather than merely administer) Hong Kong in the long term? And secondly, as relations increase so inevitably will differences of interest. How will these be settled?

The most glaring difference of interest at present is over Although China immigration. has tightened the border since peak inflow last year, legal and illegal immigrants continue to flood to the overcrowded city. This year, immigration is expected to add 3 per cent or nearly 150,000 people to the population.

seems, lacks the China, it will to stop the flow. Why? It could be part of policy to sustain inflow at whatever level it thinks the Hong Kong economy can absorb. China is not going to allow itself to be blamed for creating mass unemployment should there be a But it is also in from Peking.

which have been made in Peking by the Governor, Sir Murray own earnings from Hong Kong, own earnings from Hong Kong, and, perhaps, slow the rate of growth of per capita incomes in Hong Kong to prevent further enlargement of the gap with China.

In practical terms there is a strong case for Hong Kong returning all illegal migrants to China. There is even a case for refusing to accept all the legal migrants (those allowed out by China). But does the Hong Kong Government have the political will to undertake policies which are clearly in the interests of Hong Kong's residents but may run contrary to the desires of the ultimate landlord?

Power sought

The question of the location of real power links to that of the problem of the expiring This is not a topic to which Peking is in any hurry to address itself. But Britain, and foreign investors, do need the surety of some sort of legal basis for their continued presence. And Britain must expect that its responsibilities in Hong Kong must be accompanied by real power. It cannot allow its authority to continue to be whittled away by the rapid growth of day-to-day links between Hong Kong and China and the natural assumption in China that the authorities in Hong Kong are just convenient catspaws.

Last year, Sir Murray Mac-Lehose's successful term as Governor was further extended to 1982. Hopefully for Hong Kong this period will see substantive discussions with China about the future in place of the morale - boosting pleasantries which so far have emanated

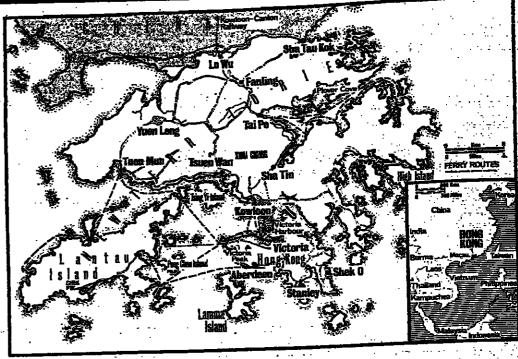
has always been a sickly child. illicitly fathered by commerce rampant. Now the economic and social requirements of a sophisticated demand a more positive, interventionist role by Government. confidence is being sapped by its awareness of archaic origins. It is squeezed between a multi-

There is an increasingly large and articulate educated middle class looking for bureaucratic business class looking to supplant older, elites. There are the aspirations of Peking and Canton. And the aspirations and social needs of Hong Kong's majority its working class. There are the forces of corruption, still at large. And there is a police force ton aware of its power and indispensability for the public

The Government expected to ccept some responsibility for helping to promote economic and financial stability, law, order and justice. Yet last year its pleas to the banks to show more restraint in granting credit went largely ignored. appointed to supervise the conduct of the securities industry was treated with contempt by the most powerful local commercial institution, the Hongkong and Shanghai Banking Corporation.

The task before both the Hong Kong Government and China may be to learn that administration and government are not the same thing.

Philip Bowring



BASIC STATISTICS

Area	404 Sq. Miles
Population (79)	4.9m (est.)
G.D.P. (79)	£7,946m (est.)
Per capita (79)	£1,622 (est.)
Currency £1: 11.	50 Hong Kong

Imports: HK\$ 85,852m (£7,787m) Domestic Exports: HK\$ 55,925m (£5,073m) Re-Exports:

HK\$ 20,024m (£1,816m)

Imports from U.K.: £442.2m Exports to U.K.: £690.7m

China plans to gain from its capitalist neighbour

China has set out on a course Mercifully. of modernisation. Peking is convinced that it, too. stands to gain by the colony's brash brand of capitalism.

dollars

present, business confiing words from Peking that hearts should "rest at ease" over the future of the colony. There are ominous signs, however, that unless concrete action replaces promises within two years, then the bubble

never recognised the lease, ing. claiming it was signed by the Kong part of China.

Mr. Jimmy McGregor, director of the Hong Kong Chamber of Commerce, and one of Hung Kong's most-travelled businessmen in China. has strong views that carry great weight both in Hong Kong and in Peking. "Hong Kong exists on inter-

national confidence alone," he said recently. "The business decisions taken by Boards of directors in the international companies based here will only be taken if they have a reasonable expectation that the status quo will not be disturbed. When you talk of confidence to invest. it's not 1997 you are looking at --it's 1985."

Mr. McGregor claims that once a loss of confidence be-comes observable, the curve of falling confidence will be steep. Investments tied down by over 500 foreign companies in Hong Kong, worth a total HK\$3bn, would be in jeopardy. These companies account for 8 per cent of the Colony's exports, and employ 8 per cent of its workforce. Local companies would quickly suffer, and the Colony's trading and financial community would vanish.

Crucial trigger

"If China has any intention of permitting the maintainance of a British Administration in Hong Kong into the next century, then China had better make that clear within the next two to three years," he adds.

The most crucial trigger will the most crucial trigger will
be when loans and mortgages
—normally repaid over a 15year period—stretch beyond the
lease expiry date. That trigger
slips in June 1982. Less specifically, companies' long-term cally, companies' long-term investment plans, expansion plans and decisions to upgrade equipment will soon be undermined without guarantees that

mined without guarantees that the status quo will persist beyond 1997.

"The Chinese must completely understand this," Mr. McGregor insists. "They are by no means ignorant of the facts. The British Government clearly understands the position, but Hong Kong is a small place a very long way from Europe, It's a small problem among a lot of larger ones. Britain no longer much likes the idea of colonies, and China the idea of colonies, and China finds them anathema." Unfortunately, Hong Kong

cents to be just as small an issue for the Chinese as it is for the British. As one analyst recently noted: "As the most populous nation in the world sets about modernising its economy, its leaders are not about to be distracted by questions surrounding the status of between 5-6m people living on borrowed land." The Chinese leadership has

shown no sign of intending to take an early decision. Mr James Callaghan, former British Prime Minister, came out of China just a month ago after discuss-

There was no sense of tenminds or on the agenda. They have internal problems of very dence is high, bolstered by calm- great moment that they regard as demanding their day-to-day lationship, and the recognition attention rather than the problem of the future of Hong Kong. from their close relationship,

conundrum rests with to reach an agreement.

In the meantime, economic then Chinese Government under links with the mainland have Peking and Canton, and Hong duress. In their eyes, Hong multiplied. China earns one Kong authorities are convinced through Hong Kong — about \$4bn Over 28 per cent of Hong Kong's re-exports come from China, and in 1979 were worth HK\$5.66bn. China is now Hong Kong's ninth largest export mar-ket, after 500 per cent growth between 1978 and 1979.

'Shop window'

Hong Kong gets almost half of its food from China, 60 per cent of its water, 30 per cent of its fuel, 18 per cent of its consumer goods and 13 per cent

of its raw materials.

Apart from the fact that
Peking uses Hong Kong as a shop window" on Western technology and expertise, Chinese investments in the colony are burgeoning. They range from banks and property to manufacturing industry and retail outlets.

China Resources, and other proxy organisations which receive finance from the Bank of China, have been active property buyers. Major projects, like China Light and Power's new multi-billion dollar thermal station, have substantial Chinese funding.

There is talk of Hong Kong

being used as a base for oil exploration in the South China Sea, perhaps with a refinery processing Chinese crude. Its port is undisputably better than any in China, and is likely to be exploited as a focus for Chinese shipping. Joint ventures and compensa-

tion trading arrangements concluded between Hong Kong companies and suppliers in China have numerous to list. become too Hong Kong businessmen are daily visitors to neighbouring Guangdong and Fujian province. The export processing zones (EPZs) at Shenzhen, Jiuhai and Shikou are fast being transformed from bare plots of land to busy business centres.

Bill Dorwood, director of Hong Kong's Trade, Industry and Customs Department, is a recent visitor to the EPZs. He said: They are clearly going said: "They are clearly going to be very substantial and significant developments, attached like limpets to the Hong Kong economy."

A recent Hong Kong mission to Canton, led by Sir Yuet-Keung Kan, head of the colony's Trade Development Council, dis-cussed joint infrastructural development between the colony and Guangdong—double track-ing and electrifying the railway line to Canton, and building a duel carriageway road. The economic fates of Hong Kong and its Chinese hinterland have become irrevocably intertwined. Along with the economic links, political contact has become routine. Since Sir Murray Maclehose's visit to Peking in May last year top-level talks have been held with Chairman Hua Guofeng, Vice-Premier Deng Xiaoping, Foreign

HONG KONG has prospered as Ing the future of Hong Kong Minister Huang Hua, and trade with Peking leaders. He said: Minister Li Qiang. Sir Philip Haddon-Cave, Hong Kong's Finance Minister, Sir Y. K. Kan, sion on their part, nor have Finance Minister, Sir Y. K. Kan, they got it on the front of their and numerous other leading businessmen have been feted in Peking.

Despite the improving re lationship, and the recognition

"They see the value of Hong Kong areas of conflict have emerged. Kong as much as anyone else does, and I would guess that when the time comes for discussions, it ought to be possible to reach an agreement." reach an agreement."

Hong Kong last year, making mr Callaghan advised Hong nonsense of the colony's popula-Britain's lease on Hong Kong's
New Territories, which is due to expire in 1997. China has been known to put the issue "on the time be
"Tong Rong last year, making monsense of the colony's population growth projections, and putting severe strain on housing and other amenities. Talks have been held on this problem in utmost to staunch the flow. But observers agree that it will only stop with greater affluence on mainland—only then will the bright lights dim.

There is fear that China's exports may soon compete with those of Hong Kong, particu-larly in textiles, garments, and electronic goods. Li. Qiang. China's Trade Minister, has given an assurance that the development of industries in China for export will not under mine Hong Kong's prosperity through competition for world markets." Hong Kong business-men will believe it when they

Conflicting interests also emerge in planning for a new international airport to serve the region. Hong Kong's Kaital airport is expected to reach capacity by 1985, and a new

airport must be built:
A site on a small island north of Lantau has been selected as most appropriate, but Chinese have hinted that they would prefer an airport on the Chinese side of the border. designed to serve both Hong Kong and Canton. There is uncertainty over Hong Kong's ability to finance an airport of its own without Chinese financial backing, so opposition could block development.

Conflict

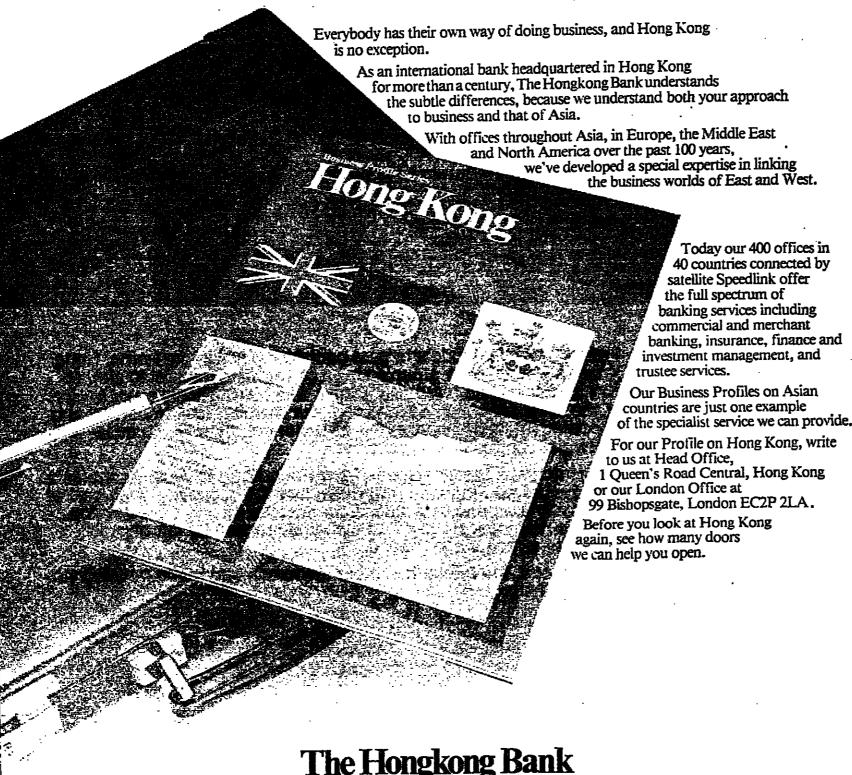
Most crucially, there are conflicting ideas about the extent to which Hong Kong can merge with the surrounding region. Some voices in China argue that the colony could eventually merze merge with Guangdong province, simply becoming a wealthy and industrialised zone. Other voices in Hong Kong panic at such an idea, claiming this would destroy the free-wheeling capitalist system

which has made it wealthy. Hong Kong must evidently become Chinese in due course the question to be resolved is how. Mr. Jimmy McGregor is prepared to offer a solution which would satisfy business confidence: "If Britain repudi-ated the leases as illegal and improper, and as a quid pro quo the Chinese recognised Britain's magnanimity and friendliness. simultaneously agreeing that Britain should be allowed to administer Hong Kong until the matter could be permanently resolved, say in 2020, then we

would have no reason to worry."
Britain would have washed its hands of the "colonial" embarrassment, Chinese con-cern over sovereignty would be resolved, and Hong Kong would remain a highly internationalised city with a power-ful mixture of Chinese and foreign influence running the economy. The phrase "British administered territory of Hong Kong has a promising ring about it.

David Dodwell

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مكذامن الأجل

World situation governs where the economy goes next

HONG KONG is usually seen as export business leapt by 29 per a boom and bust economy more cent as Hong Kong re-emerged boom than bust for sure, but as a significant entrepot portnonetheless it has a reputation for China trade. for going to extremes. But those Sales to Britain and West

dismal forebodings confounded, respectively, partly in response Certainly the statistics sug to the sharp decline of the gest that the cycle is overdue Hong Kong dollar against both for a sharp turn. In the post, sterling and the Mark, Sales to 1975 recession period, Hong the U.S. on the other hand Kong has enjoyed the longest expanded only 8 per cent in sustained beam in its wifet wast tarms. Hong Kong's relasustained boom in its post real terms. Hong Kong's rela-World War II history. Every five market position last year year from 1976 to 1979 it seems to have been strengthened recorded double digit growth in by over-valuation of the Korean Gross: Domestic Product. The won (which has since been deaverage for the four years was valued) which dealt a severe 125 per cent This year growth blow last year to this former is forecast to fall to around front runner among East Asian 9 per cent, but that is still up exporting countries. For the to the pre-1974 average at a year as a whole the Hong Kong time when world growth rates currency was 8 per cent lower are significantly below the pre- on a trade weighted basis. 1974 levels. Such a performance, Meanwhile wages rose 19 per brisk even by the standards of cent Hong Kong, peses three questions:

Is a bust now imminent? • Has the performance been due to some very special and was thus better than expected unrepeatable factors?

and Hong Kong was able to Has the economy matured and broadened to the point to the huge influx of immi-where it is able to make a stable grants from China, and absorp-transition from very rapid tion of many Vietnamese growth to sluggish conditions?

Not alone

As ever, the world situation is by far the largest determi-nant of where the Hong Kong while earlier excessive domestic the only one. Historically, Hong raise wages above inter-Kong's trade has grown about nationally competitive levels. 50 per cent faster than world The trade story so far this trade and its economy by a year however, is not so rather lesser amount. But in the encouraging. In his Budget, the past few years, the very rapid Financial Secretary Sir Philip growth of service industries has Haddon-Cave, forecast growth enabled the economy to expand of domestic exports of 7 permuch faster than manufactur- cent in real terms, underpinning ing That is a stabilising factor. a 9 per cent rate of growth At the same time, however, of GDP. Domestic exports in the overall economic situation the first four months grew 36 has perhaps become potentially per cent in money terms over more volatile than in the past, the same period of 1979, but the due to erratic behaviour of momentum has slowed since the money supply, the increased last quarter of 1979 and sharply role of the construction indus- lower year on year increases try, and the property sector can be expected in the coming

Last year, trade expanded four months but the impact of considerably faster than even the recession in which both the optimists had predicted. In countries are now mired has yet real terms, domestic exports to be reflected in Hong Kong's grew by 16 per cent and total trade figures. exports by 19 per cent as re-

who have been waiting for a Germany were especially bust for anything up to 18 strong growing by 28 per cent months have so far seen their and 22 per cent in real terms

Dramatic rise

External demand last year meet it in large measure due refugees into the workforce. It may seem paradoxical, but The population of Hong Kong the answer to all three last year rose by a dramatic questions may well be a 6.3 per cent and the workforce qualified "Yes." probably by an even greater amount. The influx held down wages in the unskilled manufacturing sector, enabling industries to maintain competieconomy goes next. But it is not demand was threatening to

generally, and large scale months. Sales to the U.S. and immigration from China. UK held up well in the first

prices are likely to lead to some deterioration in Hong Kong's terms of trade, which have been steady for the past few years. On the brighter side, the fact that Hong Kong's industries are not energy dependent or transport related should provide

At present there is more concern at the level of the visible trade deficit than with export demand. The deficit in 1979 was HK\$9.9bn, 10 per cent higher than the previous year but less than expected and a level roughly matched by earnings from services.

Service receipts have grown yery rapidly in the past few years. Statistics on them were non-existent until recently and even now are only approximate. But it is estimated that for 1978, service exports amounted to HK\$14.4bn and imports to HK\$7.1bn leaving a surplus of HK\$7.3bn.

Since then, earnings, particularly from financial services and entrepot trade, have increased rapidly, but so too have payments, largely due to the very large amount of travel both to China and overseas now done by Hong Kong people. Last year the services surplus is estimated at HK\$10bn—the same size as the trade deficit. This year however, the trade

deficit is widening sharply. The first four months showed a deficit of HK\$6.3bn compared with HK\$4.6bn for the same period of 1979 and there is unlikely to be a second half improvement of the size seen last year. Though as a percentage of total trade the deficit will remain within historical limits, its sheer size could cause a marked weakening in the currency unless interest rates remain above most levels

The Government at least is likely to oppose interest rate reductions. Although prime rate has been reduced by 3 percentage points from the 16 per cent record it reached in March, the government is still concerned to try to keep the lid on demand for credit and it wants to avoid a decline in the currency adding to price increases.

Inflation is now at a worrying level. Though not as high as it reached in 1973/74, it seems to be more deeply ingrained. Consumer prices in 1979 were an average 12 per cent up on 1978, part of the cause being the currency decline. Recession and higher energy

ECONOMIC	STATISTICS	· .		GROWTH REAL TER	
•	1979	1980 Budget forecast			
GDP real growth per capita Domestic exports	+11.5 per cent + 4.5 per cent +16.6 per cent	+ 9.0 per cent + 5.0 per cent + 7.0 per cent]	Total exports of goods	
Re-exports	+28.8 per cent	+14.0 per cent	1	(%)	(%)
Imports Trade balance	+15.6 per cent -HK\$9,902m	+11.0 per cent -HKS12.5bn	1970	8.4	13.6
,			1971	6.5	13.6
Private consumption	+ 7.7 per cent	+ 9.0 per cent	1972	6.8	3.5
Public consumption	+ 12.3 per cent +23.0 per cent	+12.0 per cent +15.0 per cent	1973	12.3	10.7
Money supply (M3)	+29.0 per cent	na	1974	-6.3	-10.3
Consumer prices	+11.6 per cent	+10.0 per cent	1975	3.2	3.8
GDP deflater		+11.0 per cent	1976	28.0	24.8
Manufacturing wages (Sept. '79)	+HK\$48 per day	·	1977	5.1	7.9
Exchange rate index	 8.0 per cent 3.0 per cent 	na na	1978	13.8	21.5
GDP at current prices	+HK\$87bn	HK\$106bn	1979	19.5	15.6

+HK\$17.825

But although the currency has currently running at around 15 per cent.

per capita

Money supply has been growng even faster, but how much of this is cause and how much effect of inflation is a matter of debate. The Government claims that inflation is largely imported and money supply has only been rising slightly faster than nominal GDP. However, it is anxious to bring money supply and credit under tighter rein through interest rates. Increases in broadly defined money supply and total credit to the economy are probably now slowing but at 6.9 per cent and 13.9 per cent respectively in the first quarter alone there is a long way to go.

Over-exposed

Excessive credit growth may, in Hong Kong's open economy, not be especially inflationary. But it clearly threatens financial destabilisation if it comes to an abrupt halt or the economy moves into recession. Credit increases have been most pronounced in the construction and housing sectors. Many property values seem based on the assumption that credit increases will continue at recent levels. Meanwhile high land prices and interest rates and dampening demand for premises are leaving many developers over-

Although heavy immigration has increased the need for more it has also held down the in-

deficit. creases in real incomes needed trade stabilised, the rate of price inif private sector housing is to activity, which has grown very
crease has gathered speed and flourish. Although manufacturrapidly in recent years, is vuling wages as a whole rose by will probably flag after two some 5 per cent in real terms years of massive purchases of last year they are now declining items such as aircraft. again. Immigration has slowed but population growth is still expected to be well over 4 per

cent this year indicating negligible per capita income growth The impressive GDP figures the past two years have tended to hide the negative impact on both the money and social wage of high immigration. In the very short term the economy may have benefited. equalling export demand to be met and wage cost pressure to be dampened. But in the long term the influx dilutes the impact of Government social spending and impedes the economy's shift to capital-inten-sive, higher value added industries. Capital will stay in labour-

will impede industrial change. In the short term a coinciworld recession may produce higher unemployment and a sharp fall in real wages. Immigration is the dark side of the new economic relationship with China that has brought benefits in so many other ways.

The danger at the moment is that stagnation in external boom trade will coincide with the fall- credit. ing off of the construction boom the services sector slowing sharply from recent high levels prices and a need to reduce the

Construction nerable and investment in plant

Not likely

It is unlikely that the public sector would be able to provide much relief faced with these necessary influences. On the face of it, the Government would seem to have been following a deflationary fiscal policy during the boom years which might-though the financial secretary would be loathe to admit any aspirations to a counter cyclical policy—allow of a mildly reflationary one during recession.

Last fiscal year (1979-80) there was a budget surplus of HK\$ 2.3bn following surpluses of HK\$ 1.4bn and HK\$ 1.2bn intensive industries and the low in the two preceeding years. level of skills of the immigrants. For the current year a surplus of HK\$ 3.4bn has been budgeted which amounts to some 3.5 per dence of immigration with cent of GDP-a remarkable figure.

However, the surpluses are only deflationary to the extent that they are invested overseas rather than forming part of the local monetary base. Secondly, the surpluses are very directly related to the land and property boom generated by excessive Capital revenue from property this year is estimated going into reverse, growth in at HK\$ 6bn, double the previous year and three times that of two years ago. This revenue housing and helped keep down .and domestic consumption being is not only unstable in characincreases in construction costs, sharply constrained by rising ter but its size stems directly from excessive credit expansion

and the overheating of the pro- of annual spending having once perty sector.

The size of the surpluses thus created has hidden the rapid increases in public expenditure Meanwhile, Hong Kong's which have been taking place, ability to borrow overeas, Expenditure is forecast to grow should it. 28 per cent this year to HKS 20.9bn. Increases in the preceeding two years were 34 per cent and 31 per cent respectively. This is very rapid growth even after taking account of the trend in current price GDP in the same period, and nuclear power come to raising the ratio of expenditure to GDP to around 19 per cent from 14 per cent four years ago and an earlier peak of 17 per cent during the 1974-75 recession. The figures exclude spending, running at HK\$2bn a year on the Mass Transit Rail-

The increase in Government spending has mostly been on capital account and is partly due to construction costs, which have risen much faster than prices generally. But it into recession. It must be conalso stems from a desire of the Governor to press ahead with all speed with housing and other social goals which had been set back by the last recession. The Financial Secretary appears to save been under considerable pressure to make the funds available when from a strictly economic viewpoint, taking account of the strength of private sector demand, a more conservative stance might have been preferred. Financial Secretary has ad-

mitted that this year's Budget "does tend to be on the infla-tionary side." Capital spending is probably now on a plateau where it will remain for some while. Just

to maintain existing levels of services, Government consumption spending in real terms will have to grow by 9 per cent a services has risen from 14 per year over the next few years. cent to 21 per cent. Thirdly, which will leave little room for capital spending increases, unless the Government's share of GDP is to continue to increase.

As it is, the very rapid increases in th epast two years conjunction with the MTR construction?added to severe pressures in the construction sector. And heavy spending now has left little room for manoeuvre in the event of another reces-

However the recent revenue boom has restored some of Hong Kong's fiscal cushion which in 1977 was looking distinctly thin with free fiscal reserves down to 15 per cent

been as high as 64 per cent. The level of is now back up to

about 30 per cent. further enhanced by developments in China. Indeed, growing economic co-operation w.2 China may demand that Hong Kong step up its capital spending. Massive projects such as the new airport, an oil refinery mind, perhaps involving three way co-operation between China the Hong Kong Government and private capital both local and foreign.

Comfort

Such developments are however still at the conceptual stage. For the here and now. Hong Kong must be concerned about the steepness with which its major markets are falling cerned about the destabilising effects of excessive credit, the property boom and inflation. and about the impact of continued immigration on employment and wages.

But it can feel comforted too. The entrepot trade, which now accounts for 30 per cent of total trade compared with only 20 per cent three years ago, won't go away again. Nor will the bankers and businessmen who have come to Hong Kong to try to get a foothold in

Hong Kong's dependence on the vulnerable expert manufacturing sector bas declined. Manufacturing now accounts for only 25 per cent of GDP against 30 per cent a decade ago while that of financial cent to 21 per cent. Thirdly, despite endless vorries about apparent lack of industrial diversification, manufacturing has maintained its adaptability. Garments and textiles have continued to edge up-market. And Hong Kong is well placed in that greatest of growth industries, electronics. In sum, Hong Kong's spectacular growth of the post few years has been partly due to exceptional factors. It now faces difficult trade and adjustment problems. But it does so from a broader base and in less isolated circumstances.

Philip Bowring



Now one of our subsidiaries, the company founded by that pioneering salesman, Wallace Harper, is again selling motor vehicles in China. And assembling motor vehicles there under the first foreign joint venture of its kind.

Two of our other Hong Kong subsidiaries have even closer connections with China: One is China Engineers, which had its origins in Shanghai at about the time of Harper's sales drives, and achieved considerable success, mainly in the areas of electrical engineering, general trading and textiles. The other is Amoy Canning, which was one of China's major manufacturers of soya sauce and other processed foodstuffs for some

40 years and has since become internationally known as Hong Kong's leading exporter of those products.

Today — as China re-opens its doors to commercial and industrial approaches from the West — our long-established relationships with that country are particularly valuable, as is the vast experience that we've accumulated in over half a century of doing business in Hong Kong and the Far East.

So if you're looking for the perfect entree into Hong Kong, the Far East or China, get in touch with us. You can be sure that we'll do a better job of helping you to do a better job.

A growing concer

HONG KONG IV

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As border traffic to and from China increases, Hong Kong police keep a watchful eye on passengers at Lo Wu station

History unlocks the border as Britain's lease runs out

FOR THOSE with patience, stant prices) will rise from Shenzhen municipality. to many problems. China has over HK\$ 200m by about 1992. shown both perspective and patience—not to mention self ment means that China will interest—in its attitude to Hong account for 60 per cent of water Kong: now history is in the supplies by that date, against 30 making as the relic of a previous per cent at present. At its preage—the 99 year lease on Hong sent level of dependence, and age—the 99 year lease on Hong sent level of dependence, and age—the 99 year lease on Hong sent level of dependence, and age—the 99 year lease on Hong sent level of dependence, and age—the 99 year lease on Hong sent level of dependence, and age—the 99 year lease on Hong sent level of dependence, and age—the 99 year lease on Hong sent level of dependence, and age—the 99 year lease on Hong sent level of dependence, and age—the 99 year lease on Hong sent level of dependence, and age—the 99 year lease on Hong sent level of dependence, and age—the 99 year lease on Hong sent level of dependence, and age—the 99 year lease on Hong sent level of dependence, and age—the 99 year lease on Hong sent level of dependence, and age—the 99 year lease on Hong sent level of dependence, and age—the 99 year lease on Hong sent level of dependence, and age—the 99 year lease on Hong sent level of dependence on Hong sent level of dependence on Hong sent level of dependence of age-the 99 year lease on Hong significance.

A solution, of sorts, is beginning to emerge not only from Chinese water springs partly the relationship between Hong Kong, China and Britain, but also from relations between the City-State of Hong Kong and its fore better to cooperate for

"unequal" treaties by meaningful to the legalistic British. who need a basis in particularly as energy-costs law for their continued presence. The issue must still other than for emergencies. be resolved, if only to ensure a degree of continuity and to provide some legal guarantee for investments and land pur-

chases by foreigners. sealed border is becoming a permeable membrane, through which people, trade, investment increasingly pass. There are, of course, major problems on both sides in ensuring that only the desired elements get throughthat China's peasant millions do not invade Hong Kong: that capitalist and consumerist ways do not weaken socialist morale in a still poverty-stricken

It would be wrong to see the current trend of creeping integration as a deliberate policy on the part of China. Rather, it is a natural outcome of political developments in China which

 Emphasised production above politics;
• Increased the perceived role

of foreign trade achieving modernisation: Released Chinese Nationalist sentiments, encouraging co-operation with capitalist over-seas Chinese and "compatriots"

the jargon word for Chinese

people from Hong Kong and Allowed the provinces much greater autonomy especially Guangdong and Fujier, which have historically close links with the overseas Chinese and

Small deals

most important. Without the autonomy given to Guangdong's Provincial Government, the myriad small deals which are the fabric of Hong Kong— Suangdong relations could not happen, however much the centre willed them. This may be a source of trouble for the future. Conflicts of interest and purpose may arise between Guangdong and Peking, and between Guangdong and the authorities in the Shenzhen municipality, the administrative unit along the border area with

Hong Kong.

Despite the changes, Hong Kong's distinctive political and administrative status must continue. This status remains both the condition of the colony's usefulness to China, and the outstanding issue between Hong Kong, London and Peking. But meanwhile at ground level, in Guangdong, the events by which China aims to gain the maximum returns from Hong Kong are already taking

There are, however, links between the political and commercial issues. Last month saw. the signing of an agreement between Hong Kong and Guangdong which marks the impending end of one of Hong Kong's once-cherished ability to sition. Sales of water (at con-encompasses the border area-

But for Hong Kong, the agreesent level of dependence, Hong fairly brief one. Hong Kong's new attitude to

from its realisation that new attitudes in China have changed the relationship, and t is there-Guangdong mutual benefit than to continue the stand-off policies favoured China has neevr recognised by China in the past. The emerging relationship is potenwhich Britain acquired a small tially much more profitable, but extremity of Guangdong. But also potentially more difficult. 1997—the expiry date on The second reason for a new water policy is simply that the meaningful to the legalistic cost of alternatives is so high,

Traffic rights

nowever. adamant that it wants its own airport, even at high cost, to maintain its traffic rights as well as its independence.

For the future, however, the pattern seems to be one of growing dependence. Hong Kong has begun to sell power across the border to Shenzhen, and there is talk of building a nuclear power-station close to the border on the China side to supply both Hong Kong and the Canton metropolis. Although the huge new facility being built at Tsing Yi should

be able to meet Hong Kong's usmand until well into the 1990s; nuclear plants have very long lead times so talk is not just idle speculation.

Meanwhile grass-roots links are growing almost by the day. Vehicle traffic is still light but growing very rapidly. An arrangement has been reached to allow registration of approved vehicles on both sides of the border. They carry traditional traded products such as vegetables, bring in raw materials, and take away finished products from factories in Shenzhen.

A bus service from Hong Kong to Canton via Shenzhen will start soon. Though much slower than the train, it opens up the possibility of further bus links to smaller centres in Guangdong and Fujien which This last factor is perhaps the are not accessible directly by

train from Hong Kong. The Hong Kong-Canton road is being improved through the replacement of two ferries by bridges. However, it is still dirt road, and given the lack of emphasis attached to road transport in China it seems unlikely that the much-talked about four-lane metalled highway between the two cities will materialise for some time. First, it will be very costly; and second, it seems unneces-sary while the railway remains

so under-used. Hong Kong is at present improving its section of the railway at a cost of HK\$2bn. The programme, which involves electrification, double tracking and improved signalling, is designed to meet internal demand as population in the New Territories expands. But as it will provide a six-fold increase in capacity, it will leave plenty of scope for increasing the volume of Chinese goods railed to Hong Kong for transhipment. China is now seriously examining a of the line.

The main focus of interest remains however what is happening on the border itself. at Shenzhen. Shenzhen, actually a small town just across the central section of the Hong survive without Chinese water. Kong China border, has also For Guangdong, the deal is become the name of a new primarily a commercial propo- administrative unit which

history provides its own solution HK\$ 60m a year at present to municipality contains two be freely let or sold. Developindustrial zones: the Shenzhen zone, near Shenzhen town, and share profits with the munici the Shekou industrial zone, a pality.

few miles to the west. been the main centre of ploiting both its land and its activity. It is the location of ing to one estimate, these yield about HK\$100m a year in processing fees."

But the major focus in future Company—a Hong Keng-based, China-owned shipping company —is developing a large site for heavier industries such as container repair and steel rolling. A dock is being constructed with berths for ships up to 3,0000 tons which will give easy access to and from Hong Kong for heavy products.

As a special economic zone. Shekou has various attractions: joint ventures enjoy a lower tax rate, and components and machinery can be imported The greater willinguess of machinery can be imported without duty provided the without duty provided the product is exported. All labour ence on Guangdong has limits, within the zone comes under within the zone comes under one management companyaimed at recruiting aboveaverage personnel: Undertakings also have the right to dismiss employees.

> There is also a specific assurance in Shekou that items such as rent. electricity and water costs shall be no more and mostly very much less than in Hong Kong. Initially land will be available at only about-HKS 3 per square feet per

Other developments are going on, particularly to expand the tourist trade essentially day and weekend visitors from

cramped Hong Kong.
In the long term, perhaps the most significant of all Shenzhen developments is housing. Several major property developments, involving more than a thousand flats, have already been announced. The flats are for sale to Hong Kong people and overseas Chinese. Pur-chasers are given a border pass which allows them to move freely between Hong Kong and Shenzhen—though not to other parts of China. The flats are currently being sold for around HK\$125,000 for 650 square food units -about one thirdthe cost of similar flats in

Potentially, this developmen So far the Shenzhen zone has spinner-for China, which is ex Hong Kong's economic perin ter but not of its administrative one. If the property develop scale, they will also run into will be the Shekou special key legal questions such as economic zone. Here, the China mortgages and security for Merchants Steam Navigation loans. (At present purchases loans. (At present purchases must be made in cash and be fore occupation).

> gradually been shifting north wards as the New Territories have been opened up. Soon China may find, if Hong Kong investors have sufficient con fidence, that there is an almost inexhaustible demand for flats, at least so long as there is such a big gap between price there and in Hong Kong. Th gap will narrow if big deve ments_continue

Cheap land

" processing " rates, cheap land and low to average utility costs make Shenzhen an attractive looking proposition for those prepared to accept that deals must mostly be arranged on an ad boc basis with little, if any, formal legal framework. These advantages have in many cases been offset by very low labour productivity, lack of discipline, low quality work and in some cases infurlating boreamoratic delays. But Shenzhen should be valuable as a source of low price inputs into more sophisticated Hong Kong industries of location for low value added but land intensive businesses. being priced out of Hong Kong,

The drawbacks are likely to lessen with experience and as attitudes come to equate mor closely with the production and profit motives of Hong Rong But the rest of China will con-tinue to want to keep that kind of political contamination at arm's length. As a result there will be a kind of class structure defining four stages on the road between capitalism and social-ism. Hong Kong Shenshen, be-rest of Guangdong, and rest of

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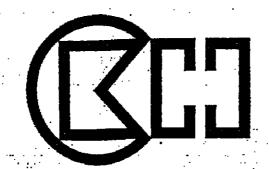
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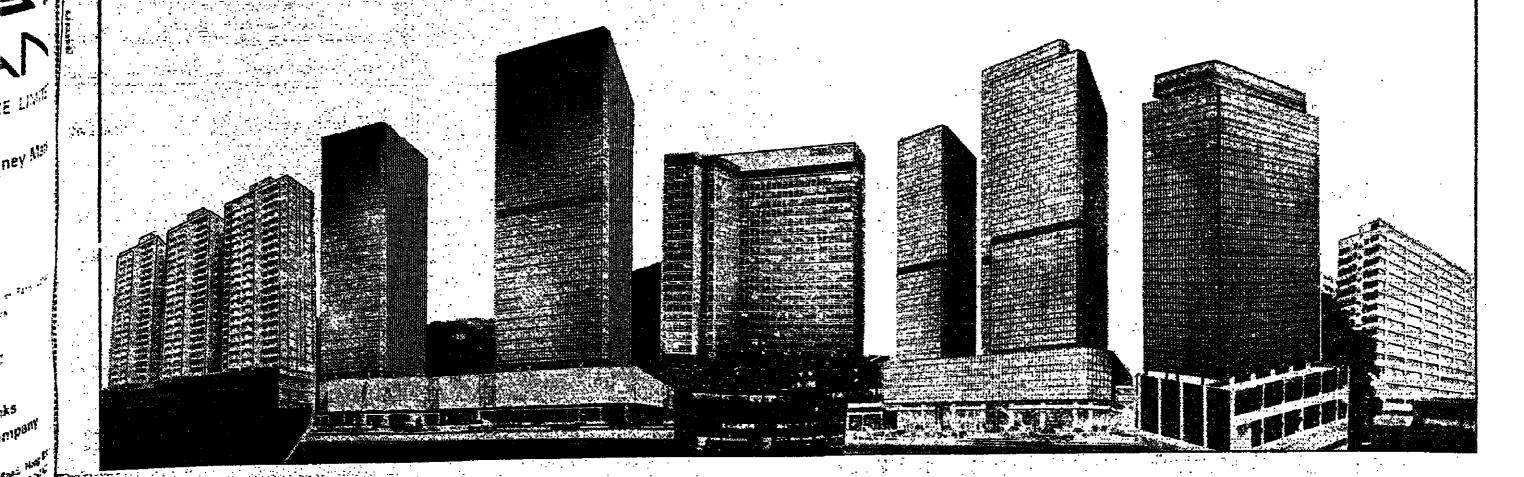
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1979 ANNUAL REPORT HIGHLIGHTS

- 1979 ORDINARY PROFITS AFTER TAX HK\$254.1M UP 91.6%.
- 1979 PROFITS INCLUDING EXTRAORDINARIES TOTAL HK\$639M AFTER TAX.
- TOTAL DIVIDEND 55 CENTS PER SHARE UP 53.4%.
- BONUS SHARE ISSUE ONE FOR ONE.
- 1.7 MILLION SQ.FT. OF FLOOR SPACE COMPLETED AND SOLD IN 1979.
- FURTHER 13.7 MILLION SQ.FT. OF INDUSTRIAL, COMMERCIAL, OFFICE AND RESIDENTIAL FLOOR SPACE UNDER CONSTRUCTION.
- WIDER BUSINESS BASE, ASSOCIATED COMPANIES INCLUDE:
 - CANADIAN EASTERN FINANCE LIMITED 50% (WITH CANADIAN IMPERIAL BANK OF COMMERCE).
- CHINA CEMENT COMPANY (HONG KONG) LIMITED 25%: HK\$ 1.1 BILLION PLANT INVESTMENT.
- GREEN ISLAND CEMENT COMPANY, LIMITED OVER 25%: 2 MILLION TONS P.A. CAPACITY CEMENT PLANT.
- HONG KONG HILTON HOTEL 100%.
- HUTCHISON WHAMPOA LIMITED OVER 30%.
- 1980 PROSPECTS:
 - DIVIDEND WILL BE MAINTAINED AT NOT LESS THAN 55 CENTS PER SHARE FOLLOWING THE BONUS ISSUE, GIVING AN EFFECTIVE DOUBLING OF THE DIVIDEND.
- CHAIRMAN FORECASTS VERY SATISFACTORY GROWTH IN PROFITS FOR 1980.

FOR ALL ENQUIRIES AND FURTHER INFORMATION PLEASE CONTACT:

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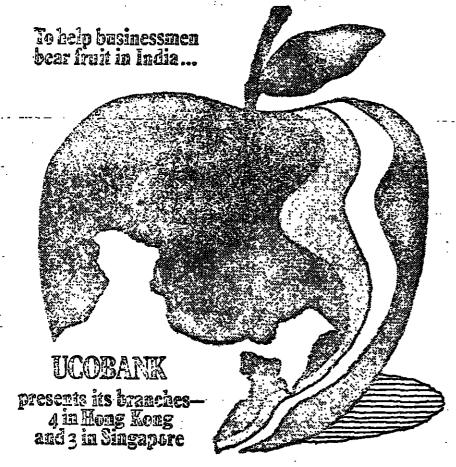
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UCO/CAS-57/79

A change in the way stock-brokers carry on their affairs has been in the wind for a

while, but it was still something of a surprise this summer when the Office of the Commissioner for Securities advanced on two

First, it made it quite clear the time had come for a merger of the present four Exchanges. Then it announced it was far from happy with the current state of the takeover code.

The creation of a United Exchange has been mooted several times, but vested interests buried in the individualism of the present quartet have always blocked suggested change. But it now seems that Mr Uisdein McInnes, the Commissioner for Securities and effectively a spokesman for the Government, is determined to see unification.

In late May a working party on unification, chaired by Mr. McInnes, set out the plans for merger. It proposed the formation of a new company called the Stock Exchange of Hong Kong Ltd, whose initial sub-scribers would be the members of the present four Exchanges

The Far East Exchange (1979
turnover \$HK 11.75bn), the

The new company will initially look for new premises to create a single trading floor and he responsible for accepting members. It sounds straightforward, but opposition con-

The Government evidently ees good reasons for reform. First, it will be easier to moni-tor the activities of a single Exchange. This will not only the gambling element which is company, so disruptive to prices, and so Only 1

tary, opted for an expansionary erodes the value

surpluses.

Inflation is gaining ground in official consumer price index Hong Kong and Sir Philip (CPI) and 13.3 per cent on the

makes no bones about the fact broader based gross domestic that it is chiefly public sector product (GDP) deflator, but the

demand which is fuelling that rate was probably nearer 20 per

Hong Kong's repeatedly large all but the most rudimentary

and creating pressures for the growth rate of public increased public spending, has tended on the other hand to ordinary demands" on the dampen wage inflation, particu-

direct control - but to let it on the basis of the CPI.

budget this year at a time when

he has been widely expected to

that it is chiefly public sector

Yet he chose not to curb

public spending - one of the

few areas of the economy over

which the Government has any

expand rapidly. In particular, he opted for a major increase

in public construction, an area

which has a telling impact on wages and import levels.

In the light of inflation and of

deficit on visible trade this

might have appeared rash had

it not been for certain extenuat-

First, the huge influx of refugees from China and Viet-

nam over the past couple of

years, while on the one hand

rapidly boosting the population

Second, the existence of fat

budgetary surpluses, arising largely from Government land

sales to the booming property

sector, apparently convinced the

larly in the building sector.

ing circumstances.

give it a deflationary bias.

BROKERS in Hong Kong's four damaging to international restock exchanges have a wary look. On the one nand, the traditionally laissez-faire show he can maintain HK\$ Improvements the control of the can maintain HK\$ Improvements the can maintain t traditionally laissez-faire show he can maintain HKS Imgoverning authorities have been in net assets, with bank oversecking reforms. On the other, market forces are uncertain, with many analysts predicting a downward trend in the months tookers, often family firms that have been almost dormant in-side the smaller of the four

present Exchanges. Not unnaturally, opposition continues. According to rough estimates, about 450 brokers would be excluded from the new exchange.

Mr. McInnes is currently treating everyone with kid gloves, but there is a mailed fist inside if he needs it. He knows that the reforms are likely to slice away some of the excesses seen on the present Exchanges. He no doubt hopes he can remove the gambling fever from the exchanges and return it to its more rightful place on the racecourses of Sha Tin and Happy Valley.

Grumbling

As he told a meeting of grumbling voices soon after the proposals were announced: "the minimum capital require-. . . is small enough so that small-to-medium brokers of long standing repute will be able to continue. If a broker cannot show a net worth of \$1m perhaps he should not be in the broking business."

merger proposals. expected to be introduced into the Hong Kong legislative council this month, provide for turnover SHK 11.75bn), the Hong Kong Exchange (HK\$ 5.6lbn), the Kam Ngan Exchange (HK\$ s.22bn) and the Kawloon Exchange (HK\$ committee currently meeting and comprising two representatives from each exchange does

tives from each exchange does not do the job asked of it. Meanwhile, down in the tea shops the Chinese brokers hunched over marble tables are still reeling from Mr. McInnes' second onslaught against them -a proposal to change the colony's takeover code.

The present rules are to say the least feeble, holding that the trigger point for a full bid make the Exchange operations must come when a bidder has more efficient, but will reduce 50 per cent of the shares of a

Public sector demand

spurs on inflation

SIR PHILIP HADDON-CAVE, Financial Secretary to spend these most uncertain times."

Inflation ran out at 11.7 per

cent in 1979 on the basis of the

cent if the soaring cost of resi-dential accommodation had

been fully reflected. This year inflation is running at a rate

approaching 20 per cent even

As the Financial Secretary

had previously admitted that

the public sector was the chief

culprit behind the domestic demand which is fuelling infla-

tion, and as the authorities lack

weapons for controlling private

demand, cuts in public spending seemed the most obvious measure for dealing with

But they were not to naterialise. The Financial

Secretary said that "despite our efforts in 1979-80 to slow down

cost rises which overrode cash-limit buffers) had resulted in

the relative share of available resources absorbed by the pub-lic sector rising to 13.5 per cent

inflation and import demand.

materialise.

in 1979-80.

Only two weeks ago,

rocked the stock market. Hongkong Land, the colony's largest property company, unveiled a share offer intended to boost its stake in the fast-growing Hongkong and Kowloon Wharf and Godown Company from 20

Stockbrokers wary of merger plan;

per cent to 49 per cent—at a cost of around HK\$3bn.

The move is widely seen as an attempted counter to ship-ping magnate Sir Yue-Kong Pao, who owns 30 per cent of Wharf's shares through a subsidiary

company.
It illustrates the shortcomings of the takeover legislation in two ways. First, it implicitly acknowledges that Sir Y. K. Pao had won effective control of Wharf through ownership of a 30 per cent stake; and second, that by limiting their purchase plans to 49 per cent of Wharf, Hong Kong land itself usurps control without resort to a formal bid, and without being answerable to the company's

remaining shareholders.

The authorities want to move the trigger down to 30 per cent, but over 300 stockbrokers have expressed opposition. In their ranks are powerful names like Wardley Limited, the merchant banking arm of the local Hongkong and Shanghai Banking Corporation, Sun Hung Kai Securities Limited, which is the largest level bending company. largest local broking company, and one of the biggest overseas brokers, Vickers da Costa.

Opponents argue that the move will plunge the Securities Commissioner into vast investigations into the particularly labyrinthine webs of Chinese famly crossholdings. z But there is another deft

argument: that turnover in the Hong Kong markets is stimulated by rumours and the new measure would reduce the credence of them in the future. Hong Kong, a fickle market at the best of times, is rife with rumour on any day. The tales fly particularly thick and fast on quiet days and not a few onlookers wonder whether these hints of possible bids and deals begin in the tea houses of the western district, which teem with hundreds of small investors, or whether they start an on dealing room desks in the

> breath he warned that need to ensure that we do not

get ourselves locked into a level

of expenditure on capital account which will not be

sustainable as, and when, the level of capital revenue settles

capital expenditure is again

The reasons why the Govern-

ment is enjoying a boom in

current account—just now, which is more than offsetting

over-spending, is not far to

Land sales are the prime

cause. Capital revenues were 38

per cent ahead (RK\$924m)

ahead of budget in 1979-80

with premiums from land

transactions rising 45 per cent

Capital revenues are expected

to rise in 1980-81 by what even

the Financial Secretary called

the "staggering" figure of 99 per cent over estimates for the

previous year to HK\$6.63bn. Land transactions will bring in

all but some of HK\$400m of this

These figures did not sit too well in a budget which was widely expected to come firmly

to grips with inflation, particu-

larly as the price of land is held to be a significant factor in the

spiralling cost of residential and commercial premises. But they explain why the Financial

Secretary can bow to pressures

now for more capital spending

while pointing to dangers ahead if it is maintained at

Recurrent revenues are also "flushing," as Sir Philip put it, which further explains the

prodigious surpluses being achieved and budgeted for.

Recurrent revenues rose 15

these boosted levels.

revenues-on

(HK\$886m).

Revenues

surplus on recurrent account.

and the financing of

capital and

dependent on

example of how the present central business district tower and a likely weakening of the takeover rules can be exploited blocks.

Mr. McInnes looks set to counterpart. tread more slowly in this area than on unification. There might be a compromise, at say a 40 per cent trigger, but some.

would like stronger action. Through a quiet summer the market has been moving in large uncertain swings. as the market gropes uncer-tainly through these rumours, United States economic recession stories and local economic

statistics.
There is a feeling among market analysts that the trend is downward in the second half of 1980, but again all eyes are on the Government, this time on Financial Secretary Mr. Philip Haddon-Cave.

he will be assailed by two competing desires, one a wish to wring inflation out of the economy with traditional "moral suasion" on the banks to keep preoccupied with pondering the interest rates high, and the impact of recession to rejoice other to lower interest rates to over lower borrowing costs." take pressure off exporters both through lower interest rate costs

If, as is expected, U.S. prime rates continue to fall, he will have to make up his mind soon and it will be a difficult decision

exporting is the very life bloods. Sun Hung Kai thinks it will, be the attack on inflation that Hang Seng index one day fall gains the upper hand. Theining about 20 points, on another analysts said in a recent report; rising by much the same amount "The Government's determination to control domestic credit expansion and inflation leads us to believe that policy will tend towards continued stringency and we expect to see.
U.S. interest rates fall faster.

than those in Hong Kong as the year progresses.
"When the growth in the monetary aggregates is curbed. however, and activity is responding to a poorer external In the second half of this year trading environment, local rates, will probably move more rapidly

to lower ground.
"In market terms however, investors may by then be toe-preoccupied with pondering the

Jack Walton



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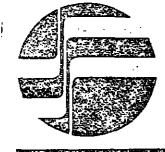
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The capital account, at HK\$5.15bn (\$1.04bn), was some 27 per cent overspent during the year and the current account, at HK\$9.08bn, was some 9 per cent overspent, largely owing to public-sector pay rises. Far from cutting back on capital spending in 1980-81, the Financial Secretary announced

that this provision would rise by 42 per cent to HK\$7.3bn. This included HK\$1.8bn for the public works programme (other than new towns and housing), HK\$1.54bn for new towns and housing, HK\$441m for land acquisition, and HK\$1.83bn for the Development Loan Fund for

the Housing Authority.
For the moment, budgetary surpluses and reserves provide a safety net. The surplus for 1979-80 is estimated at 1979-80 is estimated at HK\$2.32bn—the highest on record in absolute terms and larger than budgeted for the third year running.
For next year (1980-81), the

Financial Secretary is budgeting for an even larger surplus of HK\$3.4bn on the general revenue account. This should raise "free" fiscal reserves those not committed to contingent liabilities) to some thus providing the Financial twin boms.

Secretary said, "a most comforting degree of security in Financial Secretary observed,

per cent over estimate to HK\$13.2bn in 1979-80, pushed up mainly by earnings and profits taxes from a property and banking sector which was "more buoyant than could reasonably be asumed" when he estimates were prepared. In 1980-81, they are expected to rise a further 12 per cent over the previous year's esti-mates to H\$14.8 bn. with earnings and profits taxes, which now account for nearly half of these recurrent revenues, again being the main factor.

Thus no matter how much

the Government may profess to deplore the boom in bank lending, and to see socially undesirable aspects in the property boom. It is reaping a rich tax harvest from these

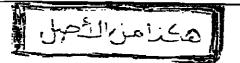
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Competition for international finance will become hotter

HONG KONG and Singapore in Singapore is that in some of exchange, numerous other finan-with China, but for those from hoth took steps early this year its financial activities. Hong cial services, such as legal other countries, Hong Kong has to try to ensure supremacy as Kong is "little better than a Asia's leading international gambling den." But in Hong financial centre and the chances Kong, some officials argue that are that competition between the the best profits come from the two city-states for the leading readitional financing of industry financial role will bot up and trade and that the margin considerably.

in the case of Hong Kong, too small.

there was an important The head of one of the bigdeparture in April and May ger banks in Hong Kong pointed
when Hong Kong banks began
out that the most profitable issuing Certificates of Deposits, banks, in the colony have a denominated in U.S. dollars. This meant that the colony, already the leader in loan syndication for the Asian's dollar market, was also about

Earlier, Singapore had announced it was admitting a firm of London-based financial. lawyers to practice in the Kong's diversification outlined This move, a reversal of traditional policy in the face of strong protests by local. wyers, was a sign of the Government's determination to wake sure that Hong Kong did not called in and thus, in effect, syndication business entirely to ance

The banks and their lawyers followed this precept, Hong were chiefly instrumental in Kong's industrialisation would working out a formula to issue which Hong Kong levies on interest. The European Asian Bank and the law firm of Deacons drew up the drafts, but authorities to try to get assurances that the formula would

Issuing of the first dollar CDS came only a few months after an official report on diversificafion drewk attention to the shortcomings of Hong Kong as a financial centre. The report ingled out the needs to keep Hong Kong money in the colony to attract funds from abroad. A full range of shortrm and medium-term financial instruments is also lacking.

Larger Tole

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The report, produced by a committee under the chairman-ship of Sir Philip Haddon Cave, the financial secretary, urged the authorities to play a larger role in encouraging the development and standing of Hong

moving away from the pure emergence of Hong Kong as a sense of channelling medium-laissez-faire that was supposedly major, regional, if not interior or long-term contractual the hallmark of Hong Kong's national, financial centre is savings funds as loans and success. In 1978 it liberalised second in importance only to investments to other businesses hanking licenses to along At new life; industrialisation." banks into the colony, then declared another moratorium.

It is playing a major part in the merger of the colony's four stock exchanges into one more powerful financial institution. And it is intervening to regulate the insurance industry and ensure continuous prudential supervision aimed at pretecting policy holders."

Most of the prevailing wisdom in the colony is that it is good for Hong Kong to be an inter-pational centre for banking and finance, and that it is inevitable that the Government will have exercise a heavier guiding hand. However, there are voices

One scathing view to be heard

on being a financial centre is-

strong local deposit base, fin-ancing industry and trade. (This is also true in Singapore. Here, the Oversea-Chinese Banking dollar market, was also about Corporation, which has a repu-to challenge Singapore on the tation for being conservative funding side. ness, has shown the best pro-

fits.) complementary growth of the banks and industry. "Although in Hong Kong most bank loans to industry are technically short-term, they are generally not have the lucrative loan serve to provide long-term fin-

"Indeed, had the banks here have been severely hampered. dollar CDS without attracting "Loans were provided for the 15 per cent withholding tax, working capital and also for purchasing such fixed assets as plant and machinery. As the export-oriented industries became established, the banking sector in turn benefited from throughout there were discus- sector in turn benefited from stons with the Hong Kong increased business opportuni-

The banker thought it unlikely that many of the newcoming banks, even the biggest international names, would be making money in Hong Kong. Limited to a single branch. without a local affiliate or deposit base, such banks have to tap the interbank market for funds and the margin between borrowing and lending funds is small, about 1 per cent. An international "name" bank dealing with \$200m a year would, the market capital. therefore, make \$2m, which is not enough to pay for the high office rents and salaries in Hong marked reluctance. Kong.

. However, the Government is convinced that Hong Kong's role as a financial centre is an important one. The diversificareport . commented: "Although the structure of

As a contributor to Gross Domestic Product "financing, insurance, real estate and business services" together come to 21 per cent-less than manufacturing, 25 per cent, and wholesale and retail trade and restaurants and hotels, 23 per

In terms of the range of its financial services. Hong Kong is well diversified. The colony has 115 banks and more than 100 branches including practically all of the big international names, as well as the Bank of China. It has four stock exchanges, more than 200 insurance companies, a welldeveloped foreign exchange entrepot financial centre. market, one of the world's big four gold markets, a commodity

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But though most of the facilities exist, in many cases they are not fully developed. While the diversification report urged that Hong Kong should attract funds from outside the colony. some bankers noted that there is not much of a margin for Hong Kong in collecting funds unless they are used productively within the colony.

Rights issues

The Hong Kong stock market, for all the diversity of four exchanges, has major weak-nesses and would not be specially attractive to a foreign

Between 1974 and 1980 there were only four new companies floated. Rights issues were not popular. Even during the share boom, when there were 53 public offers and 48 share placements brought to the market, the flotations were not so much an attempt to tap new capital as an attempt to profit from the high valuation the public was then placing on All in all, the diversification

committee estimated that "it is doubtful whether more than 20 companies are large enough to be considered of interest to international investors." The shares of two companies, the Hongkong and Shanghai Bank and its subsidiary the Hang Seng Bank, accounted for a fifth of the market by value at the end of 1978. The 12 largest companies accounted for 54 per cent, and the 88 companies with a capitalisation of at least HK\$ 100m accounted for 92.6 per cent of total market capitalisation, leaving the remaining 154 quoted companies to make up a mere 7.4 per cent of

Hong Kong's family-owned companies have shown a marked reluctance to do anything that might lead to a loss of control. Indeed, although manufacturing has been the big growth area in the colony, less than 7 per cent of listed shares

are in manufacturing concerns. Insurance is another area Kong as an international finan- Hong Kong's financial markets where there is still a long way cial centre.

is still developing and has not to go. Companies in Hong Kong.

The Government has already yet reached the sophistication have not acted significantly as stepped up its intervention, of London and New York, the financial intermediaries in the

There are two major reasons for this. First, many insurance concerns remit their premiums abroad; and second, the main source of medium- to long-term contractual which is not very insurance, the colony developed in Chinese extended since the family ties play the role that

insurance would elsewhere. One of the important areas of opportunity that Hong Kong sees is in China's development institutions authorities believe that the colony has a big role to play not only as an entrepot trading centre for China, but also as an

Japanese companies banks may negotiate directly

Another potentially important area is international reinsurwhich is why the Government is keen to establish minimum prudential regulations. The official committee on diversification thought that Hong Kong "has a number of attributes which are desirable from the point of view of setting up an international reinsurance centre.

"These include a lack of current Government direction of insurance trading activities legal system, a well-developed range of commercial and pro-fessional services, and a broadly-based financial services sector.'

Proponents of Hong Kong's role as an international financial centre have expressed concern about Singapore's increasing determination to be

Asia's big financial centre.

The removal of exchange controls in Singapore and the launching of primary and secondary markets in fixed and floating rate dollar CDS are two recent developments which may allow Singapore to become more dollars, as well as in the shortterm finance on which it has hitherto concentrated.

Determined

The diversification committee, while regarding Hong Kong's financial infrastructure and its trading links as better developed than Singapore's, sounded a Although Singapore has been looked upon as more complementary than competitive in relation to Hong shore financial business in the region, the recent trend suggests that Singapore is even determined to play an important role in this afea than

The committee pointed to five areas of concern for Hong Kong: the availability of long-term finance; the need for improved channels of communication on matters relating to the financial services sector: inadequate statistical documentation of the financial services sector; the gaps in the Hong Kong money market as regards fixed-interest finance and the provision of a full range of short- and mediumterm financial instruments; and the need for more effective regulation of insurance busi-

There is now speculation as will lift the 15 per cent with-holding tax to signal its fullblooded belief in the colony's quest for the role of Asia's

premier financial centre. The diversification committee commented: "Because of its relatively low revenue yield (HK\$118m in 1978-79, or less than 1 per cent of total fact that Singapore no longer has a withholding tax on interest, we recommend that the Government reconsider the implications of interest withholding tax on the willingness of those with savings and investment funds to leave them in Hong Kong."

Kevin Rafferty

Budget

basis for gearing up the longterm spending commitment of the economy, on capital and recurrent account.

Those expecting a redistribution of taxes, particularly as a means of dampening property speculation, received only an oblique assurance that tax changes did not necessarily

the budget. What tax measures he did implement were confined to cuts in personal taxation, which it is estimated cost the Government ome HK\$246m in revenues in 1980-81 and affected about 350,000 private taxpayers.

The Financial Secretary reported that the growth rate of the GDP in real terms in 1979-80 was 11.5 per cent, against his forecast of 12 per cent, and forecast a growth of 9 per cent for 1980-81. Growth in output per capital was slowing however, because of the influx of refugees into Hong-

Should immigration continue at present levels, the average lation would double from the 2 per cent envisaged over the next. few years, with a consequent decline in per capita GDP growth, and there would be " an inevitable decline in the growth of the social wage received by the poorer sections of the community and an inevitable strain

on infrastructural facilities." However, Sir Philip admitted that the unexpectedly rapid increase in the supply of labour because of immigration had helped manufacturers meet an increased demand for exports

Anthony Rowley

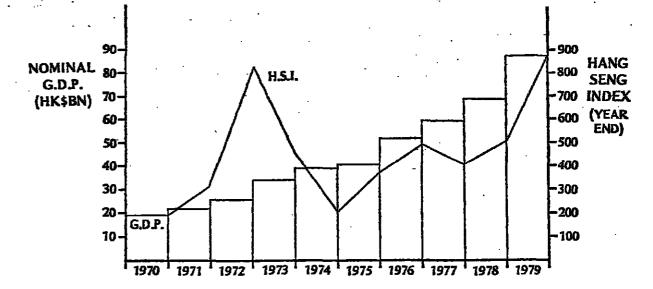


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(G.B. ENDACOTT: 'A History of Hong Kong')

A result of Hong Kong's prevailing spirit of free enterprise has been a four-fold increase in the size of the economy since 1970 and a similar rise in the local stock market over the same period. In 1980, Hong Kong is expected to achieve growth in real GDP of 9% - one of the highest rates in the world.



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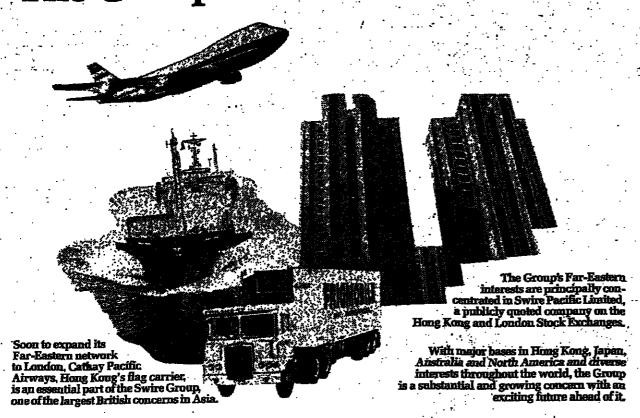
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The Group acts as agent for many of the major British shipping lines. The China Navigation Company, a wholly owned and managed subsidiary, operates a modern fleet comprising bulk carriers, cargo ships, parcel tankers and passenger liners trading throughout the Pacific and elsewhere. The Group also operates extensive container terminal facilities.

Aviation

In just over 30 years, Cathay Pacific has grown into a major international airline with a fleet of Lockheed Super Tristars and Rolls Royce powered Boeing 747's covering one of the most extensive route networks in Asia. Aircraft engineering and other vital support is provided in Hong Kong by HAECO and other Group

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Swire Properties Limited is developing Taikoo Shing, a new town comprising 10,000 apartments for approximately 45,000 people and over 3m sq.ft. of commercial and leisure space - the largest project of its kind in Hong Kong. Other important interests include substantial real estate development in the U.S.A. and Malaysia.

Industry

A major part of Swire Pacific Limited is the Industries Division which includes soft drink bottling interests in Hong Kong and the U.S.A., paint products, sugar, consumer goods marketing, magnetic tapes, can making, engineering and the export of Hong Kong products.

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Recently the Group has moved into the rapidly expanding field of offshore exploration support throughout the world and now operates a fleet of specialised vessels including oil drilling rigs.

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In Australia, the Group runs large fleets of refrigerated, specialist and distribution transport vehicles as well as major cold-storage facilities in capital cities. The Group is also involved in major cold-storage facilities in North America. Taken together the Group's interests present a balanced picture of size and diversification working together as a thriving commercial and industrial enterprise with a vital role to play in the continuing economic development and prosperity of Hong Kong, the Far East and the Pacific Basin.



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HONG KONG VIII

Record leap in exports defies cautious growth forecasts

NOT MUCH larger than the Isle of Wight in area and with a population estimated at somewhere in the region of 5m souls, this tiny British colony last year than the larger than where in the region of 5m souns, this tiny British colony last year had a total external trade one and a half times that of India, and greater than that of Chins itself.

"Even our traditional junks have engines now" was how one trade official produly explained.

"Even our traditional junks have engines now" was how one trade official produly explained.

In what turned out to be one of the more impressive trade growth performances of the decade, 1979 saw Hong Rong continue to outgun the army of trade restrictions thrown at its biggest industry—textiles and garments. At the same time the colony further broadened its export base as the trend towards product diversification continued. Perhaps most notable of all, however, was the highly visible jump in trade with China—a development which many believe will contri-bute handsomely to Hong Kong's wealth for some time to

Last year the colony increased its total external trade by over 38 per cent—a performance which surprised even the most bullish of Hong Kong's naturally optimistic businessmen. Exports jumped by a record HK\$22bn to HK\$75.9bn in 1979—a growth rate in real terms of some 19.5 per cent.

Paw materials

Imports, a major proportion of which were essential raw materials for the colony's domestic exports, increased by a roughly similar amount, from HK\$63bn to HK\$85.8bn—a growth in real terms of nearly 16 per cent. The HK\$10.5bn deficit on the visible trade balance was effectively covered by a HK\$10bn surplus on invisibles.

Despite what looked like the beginnings of recession in some of the colony's major markets. Hong Kong turned in real export growth nearly double the average for the decade-a that was exceeded only in 1976, when the colony rocketed out of the world recession which followed the rise in oil prices with an export growth of some 28 per cent in real

was a remarkable achievement by any standards. At the beginning of 1979, Sir Philip Haddon Cave. the

Hong Kong's ability to ride out the storms of international trade and come out the other side full steam ahead. Perhaps the colony's greatest strength is this ability to react fast and flexibly to changing world trade patterns and economic condi-tions. Its admirers say this is a laissez faire economy that has taken more than just a chapter out of Adam Smith's book, The Wealth of Nations.

With virtually no natural resources of its own, Hong Kong has become in the space of three decades the world's largest exporter of finished garments, electronic watches, plastic toys and binoculars. When wigs were in fashion this British colony made millions of them. Now that they have gone out, manufacturers have switched to furs and leather goods. Perhaps most dramatic of all, in just under four years—and almost from a standing start—Hong Kong has become the world's largest exporter of electronic watches.

Japan, China and the U.S. continued to remain Hong Kong's chief source of imports last year in that order, all recording a growth of over 35 per cent. Britain did well to increase exports to Hong Kong by 46 per cent to maintain its position as the colony's sixth largest sources of imports. Britain increased the value of its exports to Hong Kong by HK\$1.4bn to HK\$4.4bn in 1979 to account for just over 5 per cent of the colony's total

Hong Kong's market for domestic exports continued to be dominated by the U.S., which at HK\$ 18.8bn accounted for around 34 per cent of total exports. Sales to West Germany, the colony's second major outlet, grew by over 40 per cent from HK\$ 4.4bn to HK\$ 6.4bn in 1979. Exports to Britain, bite in the U.S. Hong Kong is: which accounted for just under bound to be affected, though to 11 per cent of the colony's total what extent is still not clear. Sir exports last year, increased by In his Budget speech in March, the a phenomenal 54 per cent from Hong Kong's Financial Secre-

imports.

Along with Hong Kong's continuing ability to capitalise on shifts in world demand and the capacity of its economy on the supply side to meet increased demand for its exports, a significant factor in Hong Kong's impressive record in the past couple of years has been growing re-emergence of the colony as an entrepot. As a proportion of total exports the value of Hong Kong's re-exports increased from 19 per cent in 1970 to 24 per cent is 1978 and 26 per cent last year. Re-exports increased by a record HK\$ 7bn last year to HK\$ 20bn—a growth of 51 per cent.

China trade

"Last year's trading performance was exceptional. It surprised even the best of us. Perhaps the most significant jump was in the China trade. Re-exports to China alone grew by HK\$1bn," says Peter Tsao, Commissioner for Trade at the Department of Trade, Industry and Customs

and Customs.

Though Hong Kong's trade with China is in severe imbalance and is likely to remain so, the benefits to Hong Kong from China's new policies have already been considerable.
Total trade with China was up.
74 per cent last year to
HK\$17on. This made it Hong Kong's third largest trading partner after the U.S. and

Domestic exports to China were up over 600 per cent, from HK\$81m in 1978 to HK\$603m in 1979, while re-exports to China were up over 500 per cent from HK\$214m in 1978 to HK\$1.3bn last year. At the same time imports from China grew 43 per cent, from grew 43 per cent from HK\$10.6bn in 1978 to HK\$15bn in 1979. The proportion of imports from China which re-exported increased from 24 per cent in 1970 to 37

per cent in 1979. But Hong Kong's record trade growth last year is unlikely to be repeated in 1980. With the recession beginning to Hong Kong's Financial Secre-

HK\$ 3.95n in 1978 to just under tary Sir Philip Haddon Cave predicted a real growth rate in Along with Hong Kong's connot quite half that achieved in 1979, though only two per cent less than the average for the decade. With the expansion in China's international trade re-export growth is likely by only tinue at a rapid pace. But the per cent real growth predic by the Financial Secretary as still half that of the 29 per cent

achieved in 1979.

Though many bite later in the year, as we there are few signs that exper growth is flagging Con year with the same period last year, exports increased 338 per cent to HK\$19.1bn; exports pl re-exports jumped 36.7 per cant to HK\$27.44bn; and the value of re-exports source 43.9 per cent largely due to increased trade with China.

Imports for the first four-months grew at almost the same rate as exports climbing \$5.5. per cent to HK\$33.75bn from the year before. Hong Kong's trade deficit over the sime period remained unchanged at 18.7 per cent, though in value terms the deficit jumped 37 ber cent from HK\$4.61bn in Jahn ary-April 1979 to HK\$6.3bh fo the same period this year.

Though invisibles are likely to increase their growth this year, the visible trade deficit in the first third of 1980 is already HK\$9.9bn deficit notched up for the whole of last year. The situation is hardly ideal but as yet it has given little serious cause for concern.

In its latest economic Shanghai Banking Corneratible says that manufacturers have at far had little to worny about But the bank expects industrial growth in the second half to he hit by further trade result tions in major overseas markets increases in oil prices, endemi domestic inflation and world wide economic uncertainty. Textile exports have already shown signs of slowing down, though clothing exports have, so far performed well in spite of tighter import controls

Richard Cowper

HONG KONG'S OVERALL MERCHANDISE TRADE

				Value	/Yearly	change per	centage			era y jiy		Percentag	
•	19	75			76	•	77		1978		1979	change '79/	774
MPORTS	33,472	_	1.9	43.293	+29.3	48,701	+12,5	63,05	6 +29.5	85,8	37 + 36	.1 +151.6	(- 100)
DOMESTIC EXPORTS	22,859	_	0.2	32,629	+42.7	35,004	+ 7:3	40,71	1 +16.2	55,9	12 +37	3 ,+114.0	J., ;
RE-EXPORTS	6,973	_	2.1	3,928	+28.0	9,829	+10:1	13.19	7 +34.3	20,0	22. 十51	.7····+181.0)
TOTAL EXPORTS	29,832		9.7	41,557	+39.3	44,833	+ 7.9	53,90	8 +20.2	75,9	34 +40	9 +152.8	
FRADE BALANCE	3,640		10.9	1.736	-52.3	3,868	+122.8	9,14	8 +136.5	9,9	03 + 8	3 4142.4	

Entrepot role makes a comeback

years the traditional activity has been making a comeback, and has been the fastest-growing area of Hong

A leap of almost 52 per cent in the value of re-exports last year, to a total of HK\$20bn. raised them to 36 per cent of total exports. This was the highest proportion recorded since 1961.

But growth of re-exports in the previous few years had been rapid, if not as startling as in 1979. In 1975, the colony's e-exports were just under HK\$7bn, out of total exports of nearly HK\$30bn. In the following three years, re-exports rose by 28 per cent, 10.1 per cent and 34.3 per cent respectively. But statistics tell only a frac-

tion of the story behind Hong Kong's re-emergence as a boom-ing entrepot centre. And interviews with exporters and officials reveal fascinating but still only partial details.

The whole story would no doubt cause embarrassment and

awkward questions, especially in some neighbouring and regional countries. In most cases perhaps, Hong Kong's favoured position as an entrepot reflects its superior communications, its financial and insurance facilities, its shipping services and its all-round, speedy and efficient management. But in some instances, the

advantage of using Hong Kong is to evade or sidestep local tax requirements or foreign exchange regulations. In others, the Hong Kong Chinese, with their wide regional connections may be able to make more money by manipulating the

local customs. Closer examination of the Some Hong Kong traders statistics on re-exports shows claim that packing and shipping at least four distinct types, from Hong Kong is so efficient

The biggest contribution to colony for final packing and re-exports comes from Chinese distribution. This may be so, goods. In 1979, re-exports of but it is also interesting that the such goods totalled HK\$5.86bn, biggest customer for Japanese. against total imports from China goods re-exported through Hong of HK\$15.1bn. The chief con-Kong is Indonesia. Indonesia tributor to these re-exports was took Japanese goods worth made-up articles, wholly or HK\$692m in 1979, followed by chiefly of textile materials. Singapore with HK\$431m worth: which totalled HK\$726m, and

HK\$2.25bn.

It is easy to understand how Hong Kong picks up a large part of China's trade: financing, packaging, shipping and even documentation are easier in the Colony than in China. Links between Hong Kong and China have grown, and China's abili-ties to handle large shipments of goods is much less than Hong advantage. Kong's. The Colony is one of the biggest ports in the world and has excellent air communi-cations. It offers in fact just the sort of springboard and communications link with the rest of the world that China itself lacks. - -

But the question is, whether year. Hong Kong textiles go out labelled as made in China in labelled as made in China in an attempt to beat quota restrictions on Hong Kong goods. Manufacturers and officials are quick to deny this, saying that Hong Kong goods have moved up market as quality has improved and labour become more expensive in the colony. Officials also say that anyone caught trying to that anyone caught trying to evade rules of origin would be quickly prosecuted as the colony has its reputation to

Electronic

Re-exports originating in Japan, the second largest group at HK\$3.40n in 1979, are very different from the Chinese re-exports. Electronic goods and machinery dominate the list, and the tra 10 tems include. machinery dominate the usi, and the top 10 items include watches and clocks, telecom-munications equipment, camera and photographic parts, motorcycles and cars.

according to the countries of that it pays Japanese manufac-origin of the goods to the There are also advantages for

IN THE 1950s, Hong Kong second on the list was crude Japanese companies in exporting in the list of exporting counbegan to discover and develop vegetable material. Of the top through Hong Kong. Setting up tries supplying goods to Hong manufacturing industry which ten items among re-exports a company in the colony may Kong for re-export is Taiwan. pushed its traditional role as an originating in China, nine were help a Japanese group to avoid In 1973, Talwan shipped goods entrepot trading centre into the of textile, fabrics or articles the complications of Tokyo worth FK\$ 402m, but last year background. But in the past of clothing, together worth foreign exchange regulations, the value of the goods leapt to For example, if a scooter worth \$1,000 is made in Japan and for the sudden sport in peready for sale in Jakarta for say exports originating in Taiwan \$1,500, then it may pay to do the was that the island's contained deal through a Hong Kong sub-port was badly damaged during

> Goods originating in the U.S. goods went to China in 1979, in are the third largest of Hong sharp contrast to the HK\$ 0.3m Kong's re-exports. Pearls, precious and semi-precious stones are the leading category, accounting for HK\$ 409m of the HK\$ 2.29bn total of U.S. goods Officially, Taiwan has banned passing through Hong Kong last trade with China and business. passing through Hong Kong last

Many of those stones found their way back to the U.S. The leading item of re-export to the U.S. consisted of pearls, precious and semi-precious stones, valued at HK\$ 428m—and the main country of origin of these stones was the U.S.

Traders say that what happens The response of the Hong is that stones are sent to Hong Kong authorities to the Kong for sorting and valuation, re-emergence of the colony is then those not required by the an entrepot has a touch of local industry are shipped back ambivelence about it.

Other re-exports originating in the U.S. include photographic equipment and medicinal and pharmaceutical products. American exports passing through the colony are distributed evenly to countries original exports. But increasing the colony is being used as a regional distribution base for financial status and should be China, Japan, Korea and South

The most interesting climber

nearly HK\$ 900m. One reason st.,500, then it may pay to do the was that the island's container deal through a Hong Kong sub- port was badly damaged during sidiary, remit the \$1,000 to a typhoon. Another is that Japan, and keep the \$500 in Taiwanese goods have started to Hong Kong in free foreign go to mainland China in increase exchange. Low extrates in the colony may give an additional the Hong Kong statistics. ing quantities. According to the Hong Kong statistics. HK\$ 106.5m worth of Taiwanese.

Officially, Taiwan has banned trade with China and business trade with China and business men face heavy penalties if they are caught, even if they are caught, even if they are using Hong Kong as an entrepet. In reality, there has always been trade from China to Taiwan is Hong Kong worth some HK\$250m a year But this as mainly vegetables which cause be easily branded or spotted as to country at origin. to country of origin.

officials are quick to point out that the value added of re-exports is marginal and that

therefore undue attentions should not be given to them at the expense of Hong Kongs original exports. But increase financial status and should be encouraged.

Kevin Rafferty

FROM HONG KONG

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DISCOVER THE ORIENT

Bankers debate Government's role in influencing economy

THE BANKING INDUSTRY in both, but preferred the higher Hong Kong has been at the status and greater flexibility centre of a major debate about that a branch could offer. the role of the Government in trying to influence the macro Hong Kong business, though not economic situation.

This is not an academic or there, would at least pay the purely theoretical debate. rent.

Indeed, like all debates in Hong Des Kong over whether change is needed, it springs entirely from real situation needing immediate attention

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growth of money supply and credit, and their relationship to interest rate levels.

Essentially, the Government has been trying to use moral persuasion to achieve high interest rates to try to stem inflation and domestic demand but has, so far abjured the use of direct intervention. Supporters claim it has had some success in influencing the banks. Critics claim its impact has been too little, too late.

Concern about the inflationary 32 impact of very rapid increases in domestic credit has hawever, had one very direct effect on the environment in which banks in Hong Kong do business.

Hong Aong do business.

In August last year, the
Government temporarily reimposed a moratorium on the grant of new banking licence It said then that this was to allow a re-examination of the criteria for granting banking licences. But the driving force behind the freeze was a concern that aggressive lending by newly-admitted banks was fuelling excessive credit both directly and by forcing estabmarket share by being similarly fuelled by export demand and

freeze will be happy to see it not as inflationary as they would continue, but it contradicts the otherwise have been. Neverthe-Government's broader aim of less, the Government continued encouraging—by not impeding— to make noises to the effect the development of financial and that direct controls might be other services in Hong Kong. It necessary if the banks did not remains to be seen when the show more restraint. freeze is lifted.

complete moratorium on new in the form of a "corset" or banking licences between a bank changes in the definition of ing crisis in 1985 and two years eligible liquid assets, were conago when the Government sidered, or to what extent this decided to allow in banks with was just talk aimed at frightenassets of U.S.\$ 3bn or more from ing the banks is not clear. countries which offered recipro- The question of money and cal arrangements to Hong Kong credit became murky because banks, or would help in trade of the unreliability of the development.

Between then and the new. freeze, 41 licences were issued. licences already had a presence panies figures for the latter through a deposit-taking com- having only just become availpany or representative office, or able.

their main reason for being

Despite both the issue of new licences, and the imposition of liquidity. requirements on deposit-taking companies, there The issue has been the rate of DTCs, which rose from 239 in was no let up in the number of January, 1979, to 272 a year later. There was also an increase in bank representative offices, which now number 115.

Campaign

The Government first publicly expressed anxiety about the rate of growth of credit back in October, 1978, and actively campaigned for increases in interest rates. Its entbusiasm for a credit squeeze waned after - a run at the end of 1978 on Sun Hung Kai Finance, one of the largest-indigenous finance com panies and an associate of Paribas. Nonetheless, in the 1979 Budget it tried to reduce the impact of its own budget surpluses on the bank's deposit base by treating them as shortterm inter-bank claims requiring liquid asset backing.

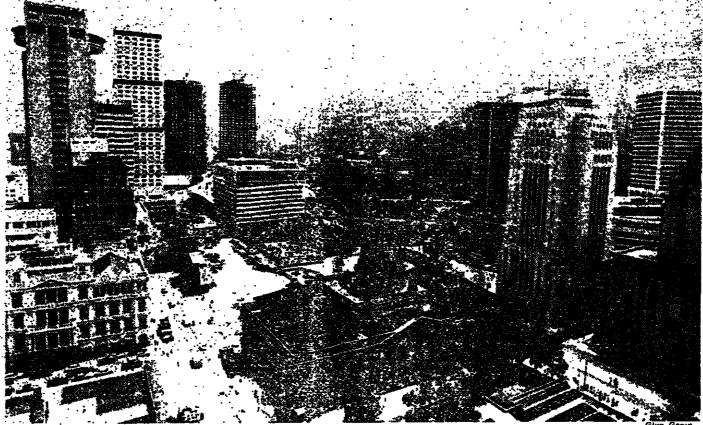
However, neither this, nor successive increases in interest rates, which took the prime lending rate to 14.5 per cent in August, 1979, apparently did much to stem lending.

In fact, with the economy banks to defend their growing faster than expected, an influx of migrants from Banks established before the China, the credit increases were

It is still not clear how There had been an almost seriously direct controls, either

evidence.

At the end of last year the Government introduced new bringing the total number of definitions of M1 and M2 to net banks in Hong Kong to 115. In out the transactions between most cases the banks granted banks and deposit-taking com-



The central area of Hong Kong Island, home of the business and banking community

previous 12 months and M2 by only 13 per cent, way below old deficition. That looked like victory for those who had all of fuss about nothing,

could not disguise the fact that a taking companies) rose by 29

that total credit to the economy -loans and advances of both banks and deposit-taking companies-grew by 34 per cent.

The Government defended the situation by saving that M3 growth was only slightly ahead of nominal GDP growth. How-ever, critics said this was a foolish argument because it was the money growth which was fuelling the high rates of nominal GDP growth reflected in double digit inflation.

A quite separate argument also developed over who was to blame for credit increases. At one point a Government

official singled out foreign squeeze the foreign banks— acceptances which for technical banks, saying their lending had which mostly have inadequate (and

These showed that M1 had been growing much faster than local deposit bases—in the inter- reasons have the advantage of grown only 4 per cent in the the domestic banks, who had bank market.

Government calls for restraint. claiming the statistics were misalong claimed that the great leading because many leans money supply debate was a lot made to Hong Kong customers were, in fact, for use outside On the other hand, there was Hong Kong. This argument no doubt the M1 and M2 changes appeared rather dubious when Government survey showed (which includes deposit- that only about 10 per cent of loans were used outside Hong Kong. Nor dies it take account Nor could thre be any doubt of the reverse situation-loans made outside Hong Kong but

proved more responsive to

used inside it. What was not in doubt, as bank annual reports for 1979 have shown, was a very sharp increase in total assets for many local banks not matched by lending growth.

Inter-bank liabilities more than doubled during 1979 from HKS7.7bn to HKS17.6bn. Bank liabilities to deposit taking companies grew even more rapidly -from HK\$6.9bp to HK\$20.0bn.

Two trends were evident. High liquidity made it very difficult for the local banks to small denomination bankers'

This phenomenon had been widespread the previous year The foreign banks hit back by when inter-bank rates were often higher than prime rate, an uncomfortable situation for the foreigners which led to howls protest-most publicly from Citihank—and demands that the Government should intervene and break the local cartel.

Credit growth

Recently it has been the local banks who have been complaining. They say that by responding to the Government's appeal to cut credit growth they have lost market share and seen their profits held down as they have kept funds in the inter-bank market rather than lending them out.

Foreign banks have also been more aggressive in bypassing the inter-bank market in their search for funds. There has been a rapid growth of the dollar CD issues. And Citibank broke new ground with issue of

being free of interest tax.

Not that the local banks can complain about profitability. Most reported increases of 30 per cent to 40 per cent last year and probably more if account is taken of increased transfers to inner reserves.

The second noticeable trend on the banking scene over the past year has been the increased role of deposit-taking companies. Their status seems to have been enhanced since they have been subjected to prudensupervision, and faced liquidity requirements. Being outside the scope of the interest rate agreement of the Exchange Banks' Association they have been able to bid competitively for funds. They have thus been of particular use to foreign banks with inadequate deposit

Their deposits (other than from banks) increased dramatically from HK\$10.4bn at end-1978 to HK\$24.5bn a year later and HK\$30.5bn by March, 1980. At the same time, the net amounts owed to them by banks probably temporary) in Hong Kong rose from

HKS8.6bn a year later. Government remains

aware that it does have some responsibility for ensuring a stable domestic monetary stable domestic environment. The question is how to achieve that in the absence of the mechanisms available in other countries.

The answer it seems to have come up with is to increase its own powers of persuasion. The Financial Secretary, Sir Philip Haddon-Cave, has proposed that the Exchange Banks' Association be given statutory incorporation, that all banks be required to join it, and be required to abide by the decisions of its interest rate committee, whose composition would be broadened. He also wants to see the deposit-taking companies acquire a similar

In his February Budget speech, Sir Philip stated clearly that it was "questionable whether the terms of the present interest rate agreement. together with the absence of any form of control over the rates that may be offered by deposit-taking companies, are suited to present day needs and circumstances."

Clearly, what is in store is a more formal cartel arrangement over which the Government would have more influence than at present.

But the Government clearly faces a dilemma on the degree of its responsibility in the deposit-taking companies. When DTCs were first formally permitted they were only allowed to accept deposits of upwards HK\$50,000 on the grounds that persons with assets of that amount should be free to lose it. that "the supervision of over-

now submitted the DTCs to direct prudential supervision, imposing liquidity and other requirements similar to banks. against failure, such as that of the Hong Kong DTC subsidiary of the Australian-based Nugan Hand group. The Nugan Hand affair has

also raised the question of whether bank representative offices should be supervised. Following the failure of Nugan Hand Bank of Cayman Islands to repay some Hong Kong depositors who had made deposits through the Hong Kong representative office the Banking Commissioner said he would be requiring details of the operations of representative

The Nugan Hand affair has not damaged Hong Kong. But it has raised questions about the need for supervision and relationship onshore and offshore, whether the distinction between onshore and offshore activity has much

relevance in Hong Kong's situation and in the age of the telex. There was nothing very unusual about Nugan Hand collecting deposits for placement offshore. Large banks, local and foreign, in Hong Kong routinely offer deposit facilities in tax-free locations such as Vila, New Hebrides, including in Hong Kong dollars. As the bookwork is often done in Hong Kong there is no inconvenience for the customer.

The Government will tighten up on reporting requirements in respect of these activities, at least in relation to Hong Kong incorporated banks and DTC's in accordance with international agreements reached under the auspices of the Bank for International Settlements.

No change

But there will be no change in policy. Legislation is also likely later this year generally to tighten up Hong Kong's banking Ordnance to make it more suited to the computer

and telex age. Minimum capital requirements will be increased, and perhaps made to relate directly monetary field. A similar to deposits. Banks will be re-dilemma seems to face it with quired to consolidate subsidiaries for supervisory purposes (they have to already for companies Act purposes)

Hong Kong's Banking Commissioner also now acknowledges-to use his own words-However, the Government has seas branches of a deposit-taking institution rests with the appropriate authorities in its home country on the grounds that the assets and liabilities of Thus it is taking some responsi- a branch are not legally distin-bility for protecting depositors guishable from the assets and a branch are not legally distinliabilities of the institution as a whole.'

The Government will, as a result, acquire powers to obtain information about the overseas activities of locally incorporated banks and DTCs.

This is not a significant departure from Hong Kong's hands-off approach. But it is a recognition that freedoms also carry responsibilities if Hong Kong is to continue its progress towards being a mature financial centre.

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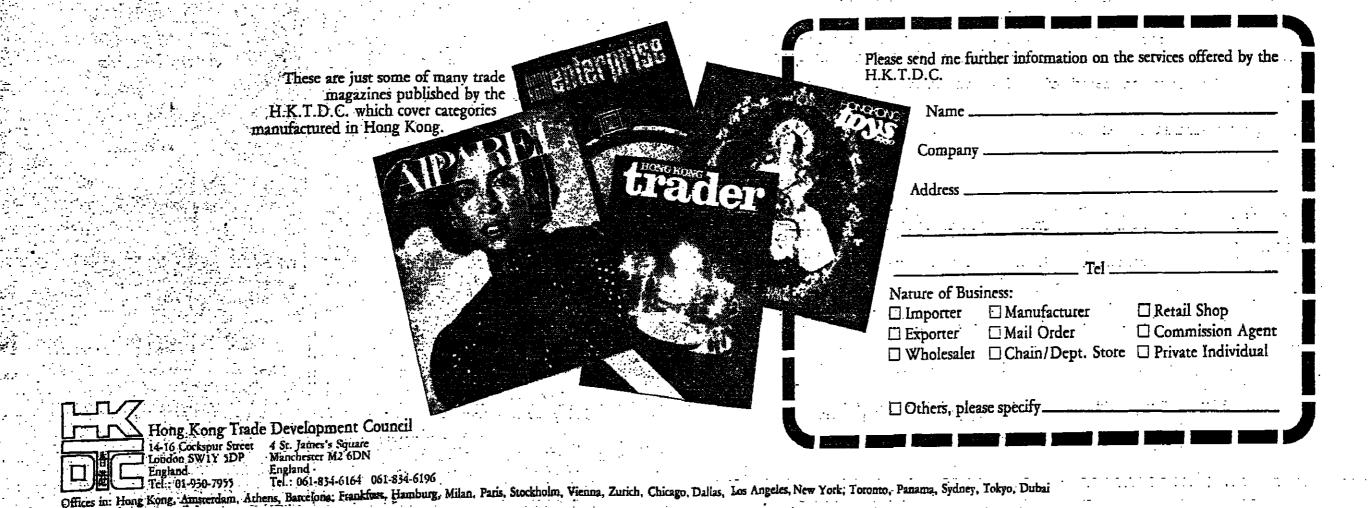
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HONG KONG X

A recent report urged the Government to adopt a more positive stance towards industrial diversification. It represents a strong challenge to Hong Kong's tradition of laissez-faire policy, as Anthony Rowley reports.

Industry: a clear case for action

HONG KONG'S financial and services sectors may have prospered under a policy of benign neglect by the Government but the official hands-off attitude towards manufacturing industry has caused this sector to decline relative to the rest of the economy, and to become narrowly based and unsophisti-

This was the picture that emerged from the report of the official Advisory Committee on Diversification published last

During its two years of deliberations, the 16-man committee, chaired by Sir Philip Haddon-Cave, Financial Secretary, looked at the need for official support in diversifying various sectors of Hong Kong's economy. But nowhere did it make the need for official action more clear cut than in the case of manufacturing industry.

"We have found that the serious inadequacy of industrial support facilities and of technical back-up facilities, as well as the absence of a programme of applied research have limited the speed with which manufacturers have been able to diversify." said the committee in its report.

The report has been formally adopted by the Government but not yet acted upon to any significant extent.

The need for industrial diversification was evident enough from the committee's findings. Not only did Hong Kong's manufacturing sector decline during the 1970s in its relative contribution to gross domestic product—while finance and other services grew in relative as well as absolute size -but it also became increasingly narrow-based. This can be deduced from ex-

groups—textiles and clothing, electronic products and toys and plastics—rose from 57.3 per cent in 1961 to 67.1 per cent

As relatively few products are retained for domestic consumption, what is true of exports is broadly true of manufacturing output as a whole.

Given the relatively small size of Hong Kong's economy and the "severe constraints" particularly
the high costs and the limited
supply of industrial land, under
which the colony's manufacturers have had to operate, the
tendency to specialise on a limited range of product groups was inevitable, the committee concluded.

But the dangers of narrow specialisation are becoming in-creasingly apparent. Hong Kong is having a tough battle with developed countries to maintain access to their markets for textiles and garments and what looks like being a much more restrictive Multi-Fibre Arrangement is being drawn up to regulate international trade in such

Electronic consumer products too are becoming increasingly subject to protectionism, while a number of leading toy makers in the West have gone to the wall in recent years, something which is certain to increase pressure for job protection against imports.

Support

Hong Kong's tendency to be-come increasingly dependent upon a few manufactured products contrasts quite strongly with the experience of the three other newly industrialising countries in Asia-South Korea, Taiwan and Singapore.

The committee visited only one of these three competitor countries-South Korea-but it noted that all three had provided numerous institutional support facilities to their in-

This can be deduced from export figures which show that the newly industrialising countries share of three main product in the region, and even those which have not yet aspired to their ranks, such as Malaysia, Thailand and Indonesia, all have a conscious strategy for industrial development.

Government refused to acknowledge a need for industrial planning until it was virtually pushed into doing so by pres-sure from Chinese manufacturers and from the swelling ranks of Chinese endowed with secondary and tertiary education looking for a more sophisticated economy in which to

The Government will be forced to adopt more positive strategies towards industrial diversification if it is going to meet its own growth targets between now and 1982.

Financial Secretary and by Sir Murray MacLehose, the Murray MacLehose, the Governor, aim for economic growth of at least 9 per cent a year in real terms over the next

three years.

Doubting that growth of this magnitude could be achieved

Only by more investment in plant and machinery could industries hope to diversify

To make this possible, the

It also urged the Government to keep in mind the "possible need for an industrial development bank" in Hong Kong in future, and to introduce additional schemes for industrial training, to he financed

programme of applied research. "Although virtually all manufacturing firms in Hong Kong are likely to make use of such facilities and services, the extensive use of metals by manufacturers, the relatively

find employment

These targets, set both by the

from further expansion of the tertiary sector (which includes the areas of financial services and tourism on which Hong Kong is significantly dependent), the committee urged the Government to take various measures to stimulate industrial development.

into new product areas and the shops, initially to provide level of real wages be raised, it services in support of the metallevel of real wages be raised, it

committee called for an increase in the supply of industrial land —something which is almost totally dependent upon the rate at which the Government is prepared to auction Crown land or to make available new industrial estates.

from public funds.

"What Hong Kong's manufacturing industries need is an adequate range of industrial support facilities and technical

under developed state of the metalworking and metal-finishing industries, and the growing importance of the electronics industry suggest that these industries should be prime targets for the initial provisions of industrial support facilities and technical back-up services.

Need underlined

"The need is underlined by the fact that Hoog Kong's com-petitors have already provided, to a greater or lesser degree, such facilities for their domestic industries," the committee said, again taking its cue from South Korea, Taiwan and Singa-

Industrial support facilities should include a "technical and technology information service provided by one or more organ-isations whose primary function would be to carry out research and development work on behalf manufacturing Industries.

"We envisage the establishment of laboratories and workinitially to working and metal-finishing industries but capable later of expansion to support other

industries. The committee further called for a "technology transworking in close fer agency consultation with the existing Trade, Industry and Customs Department and to be concerned particularly with the promotion of industrial investment in Hong Kong by overseas companies.

This agency would identify sources of technological development, select packages suitable for Hong Kong, help manufacturers negotiate on

ever in Hong Kong seeking to nevertheless consider

Until recently, the Hong Kong back-up services, as well as a adequate quality control to keep defects and failures to a minimum, the committee said. Here again, this was not an improvement likely to appear spontaneously and there was scope for official provision of certification and

> through Hong Rong's tertiary education institutions and Industrial organisations. Such existing organisations include the Hong Kong Polytechnic, the Federation of Hong Kong Industries, the Chinese

services as well as the introduc-tion of "quality assurance"

tion of

Manufacturers Association of Hong Kong and the Hong Kong Productivity Centre. The committee saw the Productivity Centre as the "organisation focus" for some of the services it recommended-pro-

viding some and co-ordinating others. But it also saw a "clear need"

for establishing a standing organisation with a planning monitoring and advisory role. "We recommend the appointment of a standing Industrial Development Board with the Financial Secretary as chairman and with a membership which should include representatives of the Government, manufacturing industries and organisations: providing industrial support. facilities

All this is a far cry from the present situation and it remains to be seen how many, if any, of the committee's recommendations the Government will

Hong Kong is, first and foremost, a laissez-faire economy, and planning is still anathems to many of the expatriate officials at the top. But the diversification committee, which included a number of prominent Chinese businessmen, was arenably more in tune with the feelings of Hong Kong's majority Chinese community.

It said: "While it is true that the economies of Singapore, licensing, patents and know South Korea, and Taiwan are how, and advise manufacturers managed by their Governments on how to assimilate technology. to a much greater extent than There was little point how is the case in Hong Kong, we move into higher technology external experience is relevant industries unless it could assure to Hong Kong's circumstances."

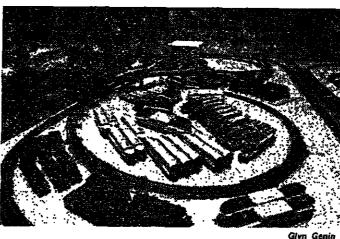
Tougher times for the toy-makers

Toys/Plastics

HONG KONG'S plastics and toy making industries have had a tougher time than most of the colony's manufacturing sectors over the last 15 months—mainly because of the revolution in Iran and the subsequent world oil crisis.

Plastics materials prices in Hong Kong tend to be low com-pared to other parts of the world. Polymers come in from the U.S., Europe, Japan, Taiwan and Singapore and the colony is often used as a virtual dumping ground. This means cheap raw materials for the toys, electronics and houseware industries—but last spring the picture changed dramatically. The revolution in Iran, oil

shortages-and fears of shortages-led to a series of steep increases in plastics prices throughout the world, including Hong Kong. Plastics consumer industries started to stockpile polymer against further price rises, a particularly expensive



Toy trains-shunting into recession?

operation because of high costs looking for a 10 per cent to 20 of land and of warehousing in the colony. Some companies, tovmaking concerns among them, now find themselves with high stocks at a time when prices are falling sharply.

Others have already been forced out of business by the twin evils of high raw material prices and high stock costs. Official statistics show that December 1978 and March last year the number of plastics fabrication factories in the colony fell from 4,515 to 4,435 and a total of 23 plastic toymaking concerns closed. Yet this three month period was before the worst of the post-Iran plastics price increases.

Order books

Toymakers are now facing the impact of recession, with many manufacturers' orders books well down on last year. Some expect to be operating at only 70 per cent of capacity this month and they fear they may be down to 50 per cent of capacity by September—yet normally their plants are running at 100 per cent.

Pessimism is not a notable attribute among most Hong Kong businessmen and toy-makers are confidently predicting an upsurge of orders in the autumn. The closest some of them come to British-style gloom is to complain that they will be forced to air-freight their products to the U.S. and Europe if they are to arrive in time for Christmas and this will mean a cut in profit margins.

But they admit that the recession is hitting them—particularly smaller companies who design their own toys rather than making to order for, say, a U.S.-based group which runs big TV promotions.

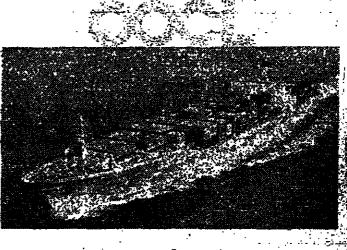
Yet they reckon people will go on buying toys for their children, no matter how fierce the recession or how many other new consumer goods they have foregone purchasing. They are per cent increase in sales value—as compared to around 50 per cent last year—and a 5 per cent to 10 per cent growth in volume which has been rising by 10 to 20 per cent over the past few years.

Hong Kong is now importing much of its plastics materials from the U.S. American polymer prices are currently lower than those in most other parts of the world because the U.S. Government is holding down the price of oil and gas—from which plastics are made—to below normal, international levels. Hong Kong only has one local

plastics material producer—the U.S.-based Dow which opened a polystyrene plant in the colony in 1976. Dow opened the plant primarily to serve the Hong Kong market and it now has around 50 per cent of the colony's annual sales of about 120,000 tonnes of polystyrene. Fear of the impact which the

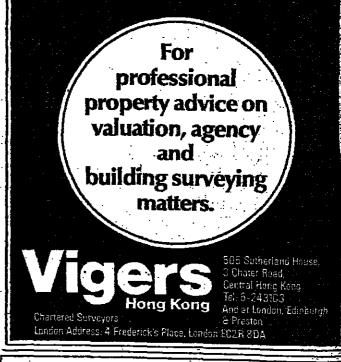
dumping of polystyrene in the colony might have on its busiess has made Dow wary of increasing its market share. But the company is thinking of expanding its 70,000 tonnes a year plant on Tsing Yi island-15 per cent of production is ex ported. The group says the market for plastics has grown at around 20 per cent a year over the last five years and unless the recession is far deeper and lasts far longer than expected, it is thought that demand for toys and electronics will continue to grow strongly.

Dow says it needs to plan soon for production in 1982 to 1985. There seems a reasonable chance that it will decide to expand the plant—but the likely shape of the economic down-turn will clearly be an important factor in making the choice. It says demand will be the key customer industries including the toymakers



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Spinning into an exports tangle

Textiles

CLOTHING AND textile industries in Hong Kong continue to grow—despite the restrictions imposed on them under the imposed on them under the has traditionally been strong, increasingly fierce competition and they face rising costs, fail-from other Far Eastern and ing world demand because of the from other Far Eastern pro-

In 1979 the colony was the world's second largest exporter of clothing — having been ousted from first place by Italy. The value of its clothing exports last year was 28 per cent higher than in 1978, although in real terms the in-crease was a far more modest 5 per cent. The major markets remained the U.S., which accounted for 35.8 per cent of Hong Kong's £2.2bn worth of garment exports, West Germany with a 17.9 per cent share and the UK with 14 per cent.

Textile ·exports — notably woven cotton fabrics, textile yarn and woven man-made fabrics—also rose fast year.
Volumes increased by 15 per cent while the value of textile exports went up by 42 per cent in money terms to £446m.

Yet Hong Kong's ciothing and

are being squeezed by agreements made under the Multi-Fibre Arrangement - MFA: competing countries such as Taiwan and South Korea are

eating into their markets, particularly in the field of cheap, bulk clothing where Hong Kong economic downturn in the West plus what some of them see as a serious labour shortage.

Perhaps the chief cause of concern—certainly the one that rouses most indignation - is the working of the MFA. Most of the Hong Kong's clothing and textile producers recognise that the import quotas imposed by the U.S. and the European Economic Community countries offer them a stable and guaranteed market with some in-built element of growth.

But they believe the character of the MFA has been slowly changed over the past three or year years so that it increasingly operates to the disadvantdomestic markets.

domestic markets and the Middle East. It appears
colony. Eight weeks ago. Miss

The importing nations are
cutting back the quotas for more
to be having some success in Lydia Dunn, of the Swire group, advanced developing countries terms of export growth rates, speaking in Brussels to a consuch as Hong Kong—so as to Last year the colony's exports ference on international trade give the less developed states to Saudi Arabia, for example—give the less developed all elabhing—ware 520.3m. in clothing and textiles, claimed more access to their markets. nearly all clothing—were £20.3m there had been "a systematic The practice was described by as compared to £15.2m in 1978. erosion of the spirit and the Miss Dunn as

countries." Hong Kong manufacturers' tures "clause, chief complaints against the Hong Kong's working of the MFA:

 Importing countries can immarkets. Hong Kong producers claim they often act without to the colony. giving adequate proof of

• Importing nations introduce restrictions against a number of supplying countries on the grounds of market disruption. They fail to make a case for restraint against each one individually—as is required under the MFA.

 European countries and the U.S. restrict imports from developing nations but not from other industrialised states. Hong Kong claims that the latter do far greater damage to longer term. Hong Kong is try-the importing countries ing to develop new, unrestricted

countries against the developing of the MFA altogether by mak-

pose restrictions on textile and give some of their quota entitle- and on design. clothing suppliers on the ments to poorer countriesgrounds of actual or threatened often the very nations whose disruption to their domestic lower labour costs enable them

Loopholes

but attempts are being made to overcome the growing limitations of the MFA. Every loophole in the restrictions imposed by the importing industrial. countries is exploited to the full—such as "horrowing" from the quotas for less successful lines to improve the ceilings on best-selling items. Yet the room for manouevre here is being constantly cut

From the point of view of the

ing themselves under growing letter of the MFA." It was developing countries by developpressure on a number of fronts. being transformed into "an ing countries."

Hong Kong is also trying to
Their opportunities for growth instrument of discrimination • The importing nations are
are being squeezed by agreepractised by the developed sometimes by-passing the terms

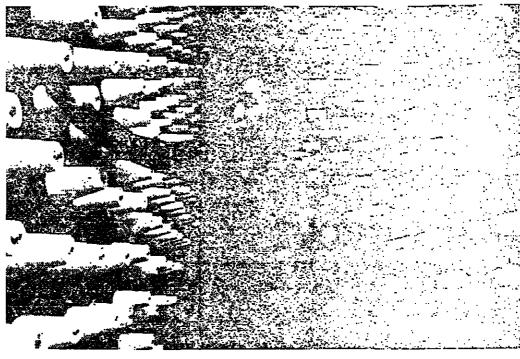
Korea—the colony's textile and garments industries are sheding tough bilateral agreements ding few tears over the current Miss Dunn listed some of the under its "reasonable depar-political problems there-by continuing its attempts to up-Hong Kong's clothing and tex- grade its products. Greater tile producers are particularly emphasis is being placed on the concerned about attempts to standard of the clothes produced

> the design of their clothes and fabrics than others. There are some who claim that the rage for designer-label clothes will pass in much the same way as any other fashion. They also claim that Hong Kong will never be able to go much beyond the upper-middle range of the European and U.S. cloth-

Ranges of clothes—including Yves St. Laurent, Christian Dior, Laurent, to offer the stiffest competition Figrucci, Gloria Vanderbilt and Pierre Cardin-are now being made in Hong Kong and there

> terms of prices or volumes. ing markets. They believe that and clothing producers is the Western haute conture will con-difficulty of attracting and

> One of the complaints result- improved working conditions ing from the move upmarket and a variety of incentive concerns the apparent unwilling- schemes, there are companies ness of British fabrics producers which say their employees still -particularly makers of woollen desert them for other industries



Following the thread: a textile worker at Hong King February Live

Kong. But UK manufacturers the hours tend to be shorter. make it worth their while-in

A more pressing worry for some of Hong Kong's tentile retaining an adequate lunaur Despite higher wages.

The job advertisements that to be felt in 2002 are posted up in the halfs and should consider etc. say there are not enough big. The job advertisements that customers in the colony in are posted up in the halfs and factory blocks are often quickly pasted over by other companies in the same building offering duly werned a not the even better rewards for those who will come and join them One enterprising employer for others to paste their ean ads on top.

found a way round this problem by having his job advertisenion posters printed on cloth instead of paper, so making it harder the control of the problem of paper. Short?



Thinking small: workers assemble printed computer circuit boards

A switch

Electronics

ELECTRONICS COMPANIES in Hong Kong sem confident that the current recession will not bite too deeply into business particularly in the watches and games sectors.

The electronics industry is the colony's second biggest foreign exchange earner and last year the value of exports rose by 50 per cent of £ 062bn. Radios are still the most important electronics export items, followed by watches. The colony is the argest exporter of watches, in terms of volume, in the world, although it ranks after Switzerand and Japan in value terms.

Growth is expected to continue his year but at a lower rate pecause of the economic down-turn. Yet the forecast is for an increase of around 30 per cent n sales value and perhaps 5 per ent to 10 per cent in volume or the electronics industry as a whole, while watches are hought likely to rise by 20 per ent to 30 per cent in sales olume and value.

Manufacturers say firmly that will be the bigger items — nch as cars — that wil bear the runt of cuts in consumer spendng in the U.S., West Germany nd the UK-Hong Kong's three rgest: electronics export arkets They believe electroc watches and games will scape comparatively lightly partly because they are comaratively cheap, partly because the nevelty value that can be eiven to them and partly because people wil go on buyingpresents at Christmas time even

They admit that radios are kely to feel the pinch. Most esterners already have a adio and there is little to mpt them into buying a new when money and jobs re short. Some Hong Kong companies also oncede that orders for the eak Christmas season are oming in much later this year rom the U.S. and Europe than s usual. Customers are being cautious and are taking great care not to overstock.

there is optimism that the will come in—albeit tardily. Hong Kong has built up its electronics industry in just over 20 years and the colony is still lependent on other countries, notably Japan and the U.S., for moorts of wafers and for tech-This nological innovation. eliance on others made itself elt last year when there was

world shortage of chips.

But as yet there is no real likelihood of the colony setting up a major research programme of its own. There are no companies large enough and profit able enough to fund basic research and even if there were, there is a shortage of people with sufficient training and expertise.

What manufacturers in the colony are doing is to obtain licences from some of the major U.S. and Japan-based companies. Hong Kong has also been doing its best to attract foreign invest ment in electronics and the effort is paying off. Three com-panies—Elcap Electronics, RCL Semiconductors and Tele-Artare setting up silicon wafer fabrication plants on the Taipo industrial estate. All three are U.S.-based.

Adaptability

Meanwhile, Hong Kong com-panies are relying on their adaptability and on their flair for meeting changes in sumer demand to beat the recession and to fight off competition from poorer countries such as Taiwan and from technologically advanced ones such as Japan. Producers have been trying to move upmarket in the watches sector, but they are finding that buyers are demand ing even lower prices. There are fears that the only way to satisfy this demand for cheapnes would be to sacrifice quality -a policy that would give their Swiss and Japanese competitors an even greater edge and which is therefore being resisted.

Electronic games manufacturers are still enjoying a boom in hand-held games although they say sales are now begin-ning to fall off. Fashions in electronic games can change remarkably swiftly—as pro-ducers of TV games discovered a few years ago. Companies with licences to make Western games are probably in a stronger position than those which design their own.

This is partly because of easier marketing in Europe or the U.S., but also because the more sophisticated games retain their novelty longer. Some of the leading manufacturers in Hong Kong are now looking forward to second and third generation hand-held games.

Some electronics companies like those producing textiles and clothing—are complaining of a shortage of labour. They say that while they do not expect to be unduly hard bit by the ession, the current difficulties in attracting and retaining employees will make it that much harder to meet late orders from the West this winter.

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HONG KONG XII

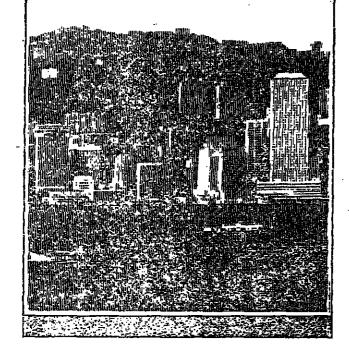
Changul Times Triesday July 1 1980 a.S.

Colony seeks to benefit from China's oil

To get the facts on Hong Kong, go to the people who know...

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who helped

success on the

Tritish exporters to

oil exploration programme—and there are high hopes in Hong Kong that the colony will soon he reaping the benefits of a

There are those who con-fidently expect Hong Kong to be providing a comprehensive be providing a comprehensive back-up service for the development of China's offshore reserves within the next few years. They claim the colony is capable of covering all aspects of the oil industry's needs, from the building of rigs to the provision of housing for expatriate workers and their families.

Others-including some of the major Western oil com-panies-helieve the euphoria may be largely premature. They point out that China may insist on storage depots and repair yards being on Chinese soil and that Hong Kong itself is suffering from a severe land

Yet Hong Kong's hawks were doubtless heartened by China's formal announcement nearly two weeks ago of plans for cooperating with foreign oil com-panies in the development of her energy resources. The Chinese said the seismic survey work that Western oil majors have been carrying out for some years in seven offshore blocks was now completed. They added that the geological data suggested the existence for substantial oil and gas reserves.

Estimates of China's oil reserves have been put as high as 100hn harrels, though more cautious torecasts reckons that 30bn barrels would be nearer the mark, certainly in terms of economically recoverable crude. as an oil producing country—
the latest available figures put sible ways in which the colony could service China's develop-

CHINA HAS now started plan-contracts. The terms of the equipment that will be used; ning her long-awaited offshore contracts have yet to be decided communications; and providing contracts have yet to be decided communications; and providing and some stiff bargaining is homes and other services for expected before they are finally oilmen and their families.

in initial survey work have been U.S.-based—are looking for

domestic demand for oil and oil products is increasing—particularly in the transport and agriculture sectors—in line with a predicted annual GNP growth for building rigs and storing rate of about 7 per cent. that the colony should be used for building rigs and storing equipment insist that the prob-

with the Japanese. side and so extending the Even allowing for protracted acreage of flat ground. with the Japanese. negotiations, the stage seems set for exploratory drilling to start Kong will have to move fairly which suggested that the fast if it wants to put in a serious hid to become a major base for the offshore industry.

Step 10 the offshore industry.

China is expected to ask foreign repair and maintenance: pro-

homes and other services for

agreed.

The major Western oil ties for Hong Kong's participation in China's oil development tion in China's oil development look far more promising than others. For example, the colony additional supplies of crude, already has a modern and effi-They are not interested in cient communications network merely being paid to bring out — far better than anything the clinese.

They are aware that China Hong Kong is desperately short

may not feel a too-rap,d devel-opment policy is in her interests mately put an end to hopes of and they also know that China's rig-building and storage bases. which would both require considerable space. Those who are determined

Strong position

But the Western companies believe that China's need for foreign exchange and for foreign expertise—the waters of the offshore blocks are up to 600 feet deep—will put them in a strong negotiating position

a strong negotiating position

equipment insist that the problems can be overcome. They point out that Hong Kong is far and away the best deep-water port in the South China Seas and probably the only post in the area that can handle the very large, third-generation container ships.

They also claim that none of

a strong negotiating position.

They are certainly hoping for the nearby Chinese ports would be able to cope with the bigger have already been signed with ships that will be required to the Japanese for exploration bring in the heftier pieces of and development in the Bohai equipment the oil industry will Gulf. The deal is described as need. They admit it will not be being highly favourable to easy—or cheap—to provide China. But China's statement sufficient land with deep-water at the end of last month confirmed that future contracts stress that it could be done,
would not necessarily be on the
same lines as the one agreed
methods of cutting into a hillside belower of the stress of the contract of the stress o

Their views were given considerable support by the report of the Hong Kong Advisory in earnest during the next two of the Hong Kong Advisory to three years. This means Hong Committee on Diversification, Kong will have to move fairly which suggested that the

The Government is now looking into the possibilities-and She barrels.

ment of oil and gas reserves, the drawbacks—of providing a During the coming year. These include: building oil rigs; site for a land base. But no hina is expected to ask foreign repair and maintenance: pro- decision has yet been made as oil companies to put in bids viding storage depots for the to whether it should follow the for exploration and production pipes, chemicals and other recommendation of the report.

Land in Hong Kong is bidder will ensure he makes the

Yet the overall

land over to other uses when the oil era ends.

The attitude of China is a key factor in the question of where major land bases for the oil industry will be set up. The Chinese are keen to play as big a part as possible in the development of their own oil and gas resources. And a number of senior people in the major oil companies believe the facilities being sited on their side of the border. Some of the oil companies are also

Kong.
They believe Hong Kong

normally sold by auction, on the assumption that the highest best economic use of it. But the Government does have power to designate land-use and this could lead to a lower premium being paid by—for example—one of the major oil companies.

tening a mountainside would still be extremely high and the extra space made available might well be more profitably used by other manufacturing industries. If the Government did clear a site, it could then find itself under pressure from

local companies which wanted to use it themselves. One idea being considered is that a site should be provided, but instead of being developed by the Government or sold to the oil industry, a special corporation should be set up to run it. Part of the corporation's job would be to turn the

Key factor

sceptical about the likelihood of rigs being built in Hong

stands a greater chance of sharing in the repair and mainten-ance work that will have to be

A gas burn-off from an exploratory well in the South China Sea

done. It is thought the colosy's executive estimated that it repair and dockyard companies should be able to provide the \$800 a month to rent a four. should be able to provide the required degree of expertise. The oil majors also look favourably on Hong Kong as a communications centre, but of them are less happy about using it as a base for their personnel.

It is frequently assumed in Hong Kong itself that the oilmen and their families will have to live in Hong Kongpartly because of its proximity to China and even more because of the comparatively low standard of living in

But the cost of land and of living in Hong Kong may well count against the colony. Most of those involved will be Americans and within the oil industry there is now talk of basing people in Hawaii or Guam and flying them out to the rigs.

bedroomed house with a garden in Houston, Texas. But in House Kong, accommodation for a family in a reasonable area would cost an average of \$6.000

a month. The development of Chinese offshore oil—and her onshine reserves at a later date—with clearly provide some spinon gains for Hong Kong There is a great deal of money to be made by the peripheral indu tries that back up oil producing companies and the colony is infused with the entire preneurial spirit.

But Hong Kong which will have to compete with Singapo for some of the business on of -may be overestimating advantages that an oil boom will bring to the colony.

Coal-fired power answers rising oil costs

currently under construction and both will be coal-fired, although they will be capable of using oil as an alternative fuel. A third has been proposed and is now in the final planning stages. The decision as to whether to go ahead with it will be taken next year.

Some of the coal to be to come from China. Co-operation between Hong Kong and the People's Republic over energy supplies is strong and is likely to he extended in the future. The colony is already supplying China with 1m units of electricity a day and there are proposals for increasing the

Hong Kong's China Light and Power Company is also belping feasibility study into the building of a nuclear power station. The first results from the study are expected this autumn. Four sites in the republic's Guangdon Province are thought to be under consideration - all of them close to the Hong Kong

Joint ventures

If the nuclear station goes nhead—Sir Laurence Kadooric, chairman of China Light, believes there is a 30 to 40 per cent chance that it will - it is thought likely that some of the power it produces will be sent eross to Hong Kong.

The energy field seems to be particularly rich in opportunities for joint ventures between Hong Kong and China. Such projects have political signi-ficance for the colony because they can indicate China's willingness to allow Hong Kong to continue under "British continue under "British management" after the lease on the New Territories runs out at the end of 1997. The Chinese do not recognise the lease and it is thought most unlikely that

mainly from the refineries in Singapore. Hong Kong has no refinery of its own, although the Government is discussing the possibility of building one with British Petroleum. Here again, refinery could use supplies of crude from offshore China as its raw material. The alternativesome say the more likely onewould be for a refinery to use Middle Eastern crude as those in Singapore.

The colony's power companies

China Light and Hong Kong Electric — have been buyers of oil products in the past, but this will change dramatically as they og over to using coal. Hong Kong Electric is building what is planned to be a coal-fired station on Lama island and China Light is constructing another at Castle Peak in the New Territories.

The first of four 350MW units at the Castle Peak A station, which is being built with British equipment from GEC and long term financing from the UK, is due to come into operation in March 1982. Chiva Light esti-mates that by that date, 7 per cent of its total fuel will be coal and 93 per cent oil. But by 1989, when all the sets will be in operation, the proportion is expected to be 71 per cent coal and 29 per cent oil.

The switch in fuels i staking place against a background of rapidly rising demand for power. Last year, China Light's sales rose in terms of KW hoursby 12.5 per cent and an average growth rate of around 9 per cent is forecast for the greater part of the coming decade. The average growth in demand in most developing countries is thought to be nearer 4 per cent

But the company admits t hat they will be prepared to re- with over 80 per cent of its negotiate it in any formal way. volume sales going to power

THE COLONY is turning increasingly to coal in an attempt to beat rising world oil prices while meeting its rapid increase in demand for power.

Two new power stations are currently under construction and both will be coal-fired, although they will be capable

But in the meantime, Hong stations, the changeover to coal.

Kong is still dependent on oil. will have considerable impact. It points out, however, first there will be no significant drop the will be no significant drop and it is expected to remain in its sales until 1985, and first power. Largely because of the further crude shortages will will be happy to have "extra" oil available for other markets.

Coal for China Light's Castle Peak station will come from Australia, South Africa and Canada as well as from Chine. Each of the four units will need. 700,000 tonnes a year and by colony will be between 7m and 8m tonnes

Transport problem

China Light is hoping that China will supply up to 33 per cent of its coal requirements. while Australia may provide up to 50 per cent. But the Chinese are having difficulty arranging for the transport of coal to the colony. They have said they are planning to improve their rolling stock, but in the shorter term, it remains to be seen how much they will be able to supply to Hong Kong.

China Light's decision on whether to go shead with the building of a B station at Castle Peak depends on the length and depth of the world recession that is already making itself felt in the colony. The company says it is now experiencing per cent drop in demand from industry - manufacturing accounts for about 45 per cont of its demand, domestic use for per cent and service indus ries, including the mass transit

for some 35 per cent. China Light reckons that in year's time the recession will either have passed or it will have reached its nadir. In either the decision on B station should be clear cut. But the company stresses that the station will be built eventualy. Even if the economic downward is far flercer than expected plans for construction merely be deferred. deferred. 50 abandoned.

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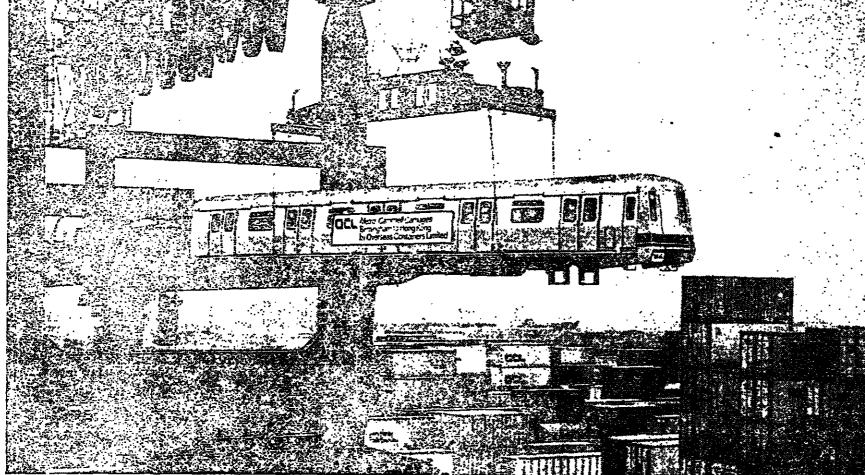
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Mass transit system solves only one mobility problem

thaty, seven weeks shead of refine and within the KS5.80m budget. It was an ccasion for rejoicing but II Hong Kong's massive trans-

In the pert few weeks a deci-no wil have to be taken on ext stage of railway build-mather to extend the mass trikers) or to construct separate light railway for ong Kong Island

After that the colonial author itles will have to address themelves to the perennial but rowing problem of congestion in the roads, to the question of apacity on the cross-harbour uniel between Hong Kong sland and Kowleon, to the need or transport links to the new owns rapidly springing up, to lemands for better road connecions, with China, and to the nternational airport on Lanfau

Norman Thompson, the chair-nan of the MTR, in response to question about whether the allway would ever pay for itelf, confidently said that Hong ong is a transport operator's eaven. But for a transport planer, it may seem more like hell.

The small territory and the arrow corridors between granle and mountainside mean that here is little physical room to ulld And the rapid increase in opulation; swollen by the num-ers coming from China, means hat there is an ever growing emand for more and better

Nearly -7m - journeys a day re made on Hong Kong's public ansport alone. And with only SW olony, many roads are con-ested at most times of the day, nd especially jamned at mornig and evening office opening and closing times.

Big developer

Construction of a largely inderground MTR was an imortant part of the search for solution to the shortage of and for transport. It has the dvantage that shops, offices, iouses and flats can be built in top and especially around tations, and the MTR Corporaion has quickly become the hird largest property developer

he time and the budget illocated. The first 8 kilometres of the MTR was opened to the public in October, 1979; the n time for the Chinese New-Year; and the initial system was officially opened by Princess Liexandra on February 12 this

Mr. Thompson estimates that he cost of this modified initial system, which stretches from Kwun Tong in east Kowloon, lown Nathan Road and under he harbour to the commercial entre of Hong Kong, will be HK\$5.65bn. Work is going on on another 10.5 kilometre link, rom Suen Wan in west Kowoon, which will join the init alvstem at Prince Edward on Vathan Road. This stretch will pe ready by the end of 1982; and will cos HK\$4 lbn.

Of the 15 stations in the initial system. 12 are underground and three are elevated. They have been built through a variety of geological formaions, including heavily eroded granite, solid rock and reclaimed

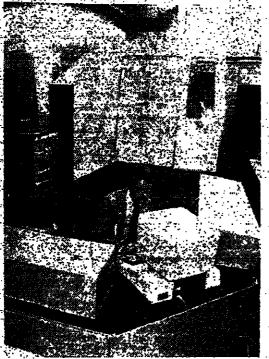
In cases Hong Kong's high-water table called for tunnelling nside a cocoon of compressed ir. The stations are among the largest in the world, normally about 230 metres long and eaching 300 metres at Chater

n central Hong Kong.

The system is built to cope with 60,000 people an hour past any point and to handle more than a million journeys a day which is the estimate of the number of passengers who will use the initial system by the

Carriages can accommedate 327 passengers standing and 48 sitting on the stainless steel At the start, all trains consisted of four cars, but they are being increased to six and will eventually reach eight

The MTR has one of the





spending on them, and not least

will need improved transport

communications with China.

These will help to smooth the

path of the colony's business

grading to take contained

traffic. But even if China does

between Hong Kong and China

as the two governments will

have to sit down and agree on

traffic acd when the roads will

Kevin Rafferty

the alignments, the volumes of

This is a task for the future

The Kowloon-Canton railway

links with China.

be built.

A Redifon simulator, used to train drivers for the Mass Transit Railway

to prevent the danger of collisions. The trains run automatically though they have a driver to give the starting signal in the stations. Intervals between the trains is three to eight minutes, but the system allows for a gap of as little as two

Plastic tickets

Ticket collecting is also automatic, using a plastic, magnetic-ally encoded ticket, the size of a credit card, which gives information as to its value and date, time and place of issue. The system has had its teeth-in gdifficulties. These include

one serious breakdown, fre-quent overshooting of station platforms by half a carriage because of faults in the software, and in some places foul smells, believed to be because the opening of the rock in construction may have exposed fungi trapped there to fresh

The railway also has its critics, some of whom question whether it will ever pay for it-self. Mr. Thompson is confident Technically, the system can that it will and will be making be counted a huge success not operational profits by 1984. Cast because it was built within Others say that the number of people using the mass transit is lower than expected.

Mr. Eric Black, the Managing Director of the MTR, responds carried is up to target-400,000 daily.

In the early days the MTR carried a lot of passengers who were going just for the ride to see what the new railway was like. During the Chinese New Year, when the line was open round the clock for one day, 963,000 people were carried in

the 24 hour period.

-Mr. Thompson and Mr. Black point out that the MTR is already one of the most denselypopulated transport systems per kilometre. The average of 400,000 people a day on 16 kilometres of track compares with 1.5m passengers carried every day on the London Underground, but on 357 kilometres

We are still very much on our learning curve," said Mr. Black. "The total number of passengers carried is up to the forecast and I expect that numbers will begin to rise." Other Hong Kong transport systems have sometimes started slowly and then usage risen

way above expectations.

The cross-harbour tunnel was at 40 per cent of capacity soon after being opened; now it is working at 110 per cent of capacity with long queues at peak periods, and thought is being given to new crossharbour road links.

Other complaints about the MTR concern access to the system. When the full MTR system is operational, it is claimed, 40 per cent of all Hong Kong homes and 50 per cent of work places will be within 10 minutes walk of a station.

Potential passengers who would come in from outlying areas of Kowloon or the New Territories gramble that there world's most advanced computer is no car parking space at the control and train operations in stations. And the people on world, with fail-safe control Hong Kong Island are still



The Kowloon end of the road tunnel which links Kowloon with Hong Kong island

waiting to know when and another ideal than car owner where their rail line will run: ship. the debate over which railway But Hong Kong will continue system should be built is still

Mr. Black comments: "The question of car parking at sta-tions is a question for the Government and not for the Mass Transit Corporation." But he adds that after discussions between the Corporation and needs modernising and up the bus companies, bus services the densely-populated areas to MTR stations have been ship more goods by rail cor-improved, so there is better ac-

cess by public transport.
The question over what system should run on Hong Kong island may be settled this month Basically the choice is between an extension of the MTR or a light rail transit system rather like a big tramway which would run on the surface.

Because of the higher costs of tunnelling, a light rail system could run the entire length of Hong Kong's north shore. whereas the MTR extension would be much and even more costly at more than HK\$400. Mr. Black explained that MTR debts would peak in 1984 at HK\$12.2bn "and we don't wish to exceed this."
So a full underground system for the whole of the north shore

Too much

But the advantages which a to be offset against the life of the line. Experts estimate that by the 1990s, Hong Kong island would have to have an underground system as the traffic became too much for a light railway.

One possible way round all of the problems would be for the Government to invest now in a complete MTR system and to meet the extra capital costs beyond the HK\$12.2bn ceiling from its reserve funds, which have been mounting up steadily against the possible "rainy

day" in the future.

But this would infringe the principle that the MTR must pay its own way, and the reserves are a touchy question, which does not seem to have been openly discussed.

What has been actively debated is how long Hong Kong can go on allowing a free run to the private motor car. Suggestions of higher road licences or a restricted inner zone like that of Singapore have come increasingly under discussion. Motor vehicle registrations have topped 250,000 and are rising by more than 25,000 a

In any other society new and improved roads might be the answer, but in Hong Kong, which is already the most heavily populated metropolitan area in the world, there are limits to the number of flyovers that can be built one on top of the other.

The 1979 Government white titled "Keeping Hong paper titled "Keeping Hong Kong Moving" suggested a three-part policy: improve-ments to the road network, expansion and improvements in public transport and the more economical use of roads.

There are limits in all areas, but tere is some scope for better road use. One simple example of wasteful road use is that a good deal of Hong Kong's food produce arrives and is unloaded near the western markets in Hong Kong, is then taken several kilometres by road to cold storage at North Point, and is then transported back by road to western markets for sale.

The scope for road improvements has to be set against the Government's overall financial commitments which have led to delaying several times of import road projects. And in the end the physical restrictions of the island and the lack of room for manoetuvre impose their own limitations.

The ideal way forward would be an improvement in public transport. With the growth of new towns such as Sha Tin, Tuen Mun and Yuen Long, some of which may before long have populations of nearly 1m people, the most sensible course would seem to be to plan public transport so that people can have

Jardines: Part of Asia's Future to need better roads and more

هكذامن الأحل

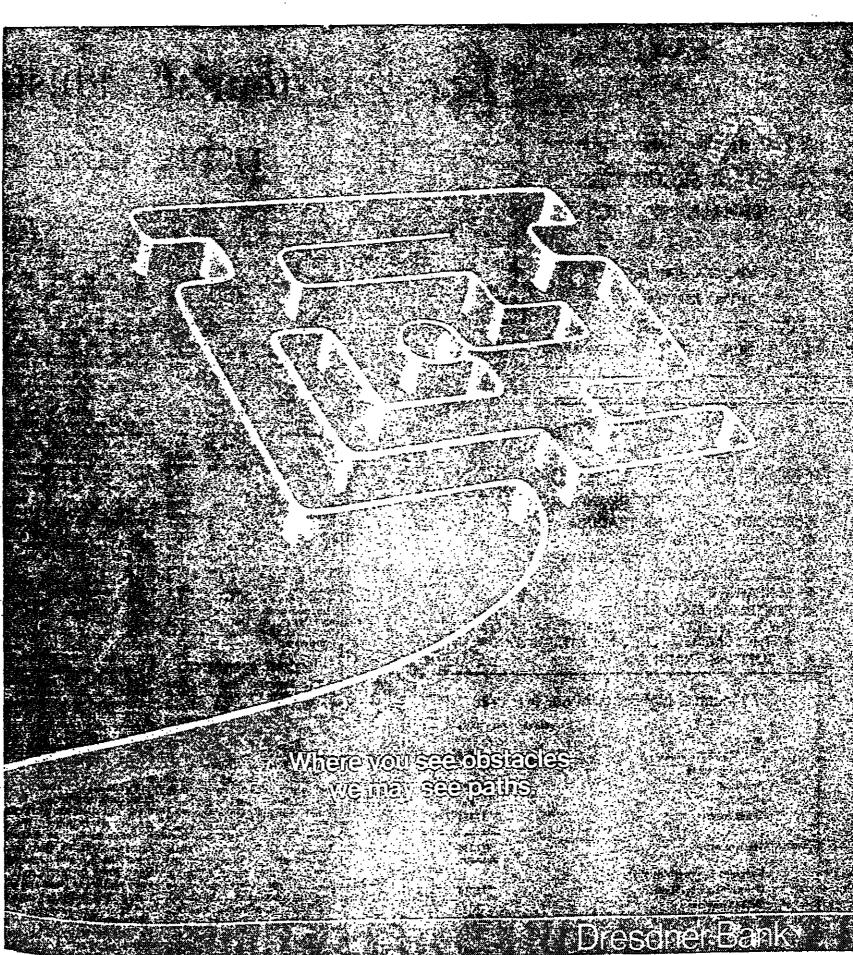
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In fact, the Hong Kong Government is now committed to a decision by 1982, perhaps the most important decision facing it this decade. A new airport would open up tremendous new economic and industrial possi-bilities, but it raises political problems which strike at the heart of Hong Kong's future. The shortcomings of Kaitak

Airport were first acknowledged in 1970, just 12 years after it opened, Mr Brian Keep, Director of Civil Aviation, was suc-cinct: "The problem is simple: Kaitak is an airport in the middle of a city." The headaches this involved

may have seemed manageable when the airport terminal opened to cope with about 500 passengers an hour: by 1979, airport was dealing with 5,000 passengers an hour. It handles 1,000 flights a week from 30 scheduled and 23 nonscheduled carriers and links Hong Kong with 64 major cities around the world.

The airport causes considerable environmental problems. It it difficult to reach through heavy city traffic, height restrictions of between 50 and 60 feet close to the airport have put severe limitations on residential and industrial development: and the curved approach over Chinese airspace presents landing difficulties to pilots.

Abandoned

In 1973, the Government authorised a preliminary study on the siting of a new airport but this was abandoned in 1974 when OPEC first raised oil prices and prompted a sharp fall in air travel.

Ideas on a new airport were presented again in 1979 when it became apparent that, on current passenger traffic trends, the present volume of 6.5m passengers a year would have swollen to 15m by 1990. Kaitak's capacity of 12m is likely to be met by 1985.

The volume of cargo being handled through Hong Kong is also rising rapidly and last year reached 250,000 tonnes. The Civil Aviation Authority says been taken and the present growth trends continue, there enabled airline companies to Kaitak when severe typhoons will be no option but to trade- cut flight schedules. The blow up, or when fog descends. passenger traffic against Government prefers caution,



A Lockheed Super TriStar of Cathay Pacific at Hong Kong International Airport

cargo-an invidious problem for any airline to solve. A new airport is likely to take

at least seven years to build, which means the Government is reconciled to severe congestion problems for at least three years during the middle of the

It seems certain that no decision will be taken until 1982, adding still further to the possible congestion. A single reason explains the delay: uncertainty over the growth in air traffic in view of tremendous oil price increases recently.

Higher fuel prices might force up the price of air tickets and reduce tourist travel. It might also slow economic growth in the region—a decline in trade would trim business travel, and cargo traffic. The authorities have also noted the trend towards wide-bodied jets. which allow more passengers to be carried without increasing flight frequency.

Many experts remain confident that air traffic will continue to grow at the present rate. They cite growing affluence among the peoples of Asia, and the strong desire of to visit families elsewhere in the region.

wide-bodied aircraft has not

however, since a new airport will cost about U.S.\$ 1bn. If a new airport is to be built, it will almost certainly be at Cheklapkok, a small island to the north of Lantau island. and virtually equidistant from Hong Kong's central business district, Kowloon, the New Territories, the Portuguese colony

Shenzhen, Jiuhai and Shikou. Numerous other options have been examined and rejected. most recently in a consultant's report presented to the Director of Civil Aviation two months

of Macao, and China's three new

export processing zones in the

south of Guangdong Province-

Liberation

Cheklapkok would "liberate" the Kaitak area for new development (the Government has ruled out the possibility of running two airports, not only because of the nightmares of air traffic control it would raise, but also because of the revenue likely to be raised from the development of Kaitak).

It also boasts the singular virtue of being, by all accounts, overseas Chinese in particular free of environmental problems, air approaches would be by sea, there would be no need for There is also growing evi- curfew restrictions and it would that by 1985, if no action has dence that the introduction of be an all-weather airport, not vulnerable to closure like Kaitak when severe typhoons

are possible. They have hinted that they would prefer a new international airport on Chinese soil, perhaps just over the border from Hong Kong, which would serve both the Colony and Canton. The Macao authorities have also spoken of building an international airport-an idea which is unlikely to materialise in the view of the Hong Kong Government's deliberations. On China's plans for an air-

a correspondent for the Far Eastern Economic Review recently observed: "To date, apparently, no official approaches have been made to the Foreign Office (in London) on the subject, and the Foreign Office says Hong Kong's proposals for Cheklapkok are not yet advanced enough for

presentation to the Chinese.
"Until the Chinese show some of their Hong Kong cards to the British, it is unlikely that the authorities (in Hong Kong) will even begin to consider sharing airport facilities across the border.

precedent of sharing facilities has been set at Basle, where passengers use the same airport, with its immigration customs whether they are travelling into Switzerland or France.

Reservations are based not least on the fact that China does not share with either France or Switzerland a recent history of stability which would make it Objections from the Chinese

a practicable, or even tolerable dential land by

hectares (compared with 220

hectares at Kaitak). The Hong Kong Government is thought to be poised to com-mission a comprehensive consultants' study at an estimated cost of HK\$ 150m (£13.05m).
This involves HK\$ 25m for a detailed airport design and HK\$ 100m for land and ocean surveys around Cheklapkok. The seabed is known to be covered with loose mud and will need to be dredged. The remaining HK\$ 25m is for various associated costs, so far unspecified.

The new airport is expected to have a capacity of at least 15m passengers a year. Provision for a second runway has been made, which would raise capacity to 25m.

Closely linked with plans for the new airport are plans for the development of Lantao island, the largest in the colony. This would involve a bridge linking Lantao to West Kowloon on the mainland across two small islands-Tsingvi and Mawan. It would also involve substantial industrial and residential development on the island, perhaps including a light rail public transport system.

If the airport plan is shelved. the Government seems likely to develop Lantao anyway. The colony is otherwise likely to exhaust all its available resi-

bedfellow, in such a joint ven-urgently needs to relieve the congestion of manufacturing The first phase of Cheklapkok industry close to the urban would involve a single runway centre of Kowloon. and would cover about 500 A major problem over the

A major problem over the new airport has always been that of how it might be financed. According to a recent report in the Far Eastern Economic Review: "The decision does not hang on need, but on financing. According to the Foreign Office. a two-runway airport would take between seven and 10 years to complete and cost around U.S.\$ 1.4bn. The question is whether the Hong Kong Government will be able to guarantee creditors that the loan will be amortised after

Implicit here is that the Government will not be able to raise the cash needed for the airport unless the issue of Hong Kong's lease (which expires in 1997) is satisfactorily resolved. This is simply because the sum to be raised is so large, that it could not possibly be paid off before 1997.

Government officials argue that it is not essential to resolve the lease issue. They claim that a large proportion of the cost of developing Lantao and the airport could be covered from the proceeds from the development of Kaltak once the present airport has been closed. They also argue that a large income will be generated from the sale of building and development rights on Lantao once it is opened up.

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Booming tourist industry could be hit by rising cost of travel

CANADIAN SECURITIES HONG KONG'S tourist industry up to HR\$6.38bn. INTERNATIONAL SECURITIES years, with tourist spending up by 25 per cent we year, and hotels full to bursting. But

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has been riding on the crest of revenue has doubled since 1975. The value of tourism to the economy has been in dispute. Tourist Authority executive director Mr. John Pain calcuthere are worries over the lates that tourism contributes ? horizon, mainly over the effect rising fuel prices will have on per cent of GNP, and 11-12 per cent of exports. But the report the price of an air ticket. It could mean the end of the boom of the Government committee on diversification, published late More than 2.2m tourists passed through Hong Kong in 1979—about 10 per cent more last year, argued that goods and services consumed by fourists had a high import content, suggesting that domestic income than the previous year. But their spending went up by 25 generated was less than implied per cent, taking total receipts

by the raw figures. Whatever the arguments, the figures have to be treated with care. Hong Kong's tourist price index rose 10 per cent in 1978 and almost 19 per cent last year. so the real growth in tourist spending has been in single

Around 23 per cent of Hong Kong's visitors come from Japan, and a further 30 per cent come from neighbouring countries in South-East Asia. About 14 per cent come from the caution, however: "Hong Kong United States, with under 8 per is a destination in its own right cent from Australia and New and must remain so. Zealand and a tiny 4 per cent "If we only provide access to from the UK. Taiwan, usually a China, then within five years major source of tourism, has slumped in importance over the past year, as the authorities have cut back hard on visa

Highest spenders

The Japanese stay for the shortest average per od-about 2.6 days-but are the colony's highest spenders on a per diem basis, at almost HK\$1,260 a day. Overall, visitors verage a stay in Hong Kong of 3.63 days, and spend a total of HK\$2,675.

The Tourist Authomty warned that these figures were very approximate, and probably underestimated, since spending data are gleaned from spot interviews with tourists as they depart the colony. Many depart the colony. Many visitors are wary of detailing how much they spent, a Tourist Authority spokesman said, often because they fear information is being gleaned for tax reasons.

Just why tourists come to Hong Kong, depends on the country from which they come. The Japanese spend almost 80 per cent of their cash in the shops, on tax-free electronic goods, cheap textiles and the many other consumer products which the colony is renowned. The average tourist spends just 63 per cent of his money this way, with a larger proportion normally going on hotel bills and eating out.

Hong Kong will be linked to a slump following the 1974 oil famous for its gambling and night life.

For visitors from Australia and New Zealand, who stay year and a further six in 1981. longer than any other groupan average of 4.8 days-Hong Kong tends to be one stage of a wider tour around South-East Asia. In the past it was seen as a taste of China, but now that China has opened up to tourism, it is a stepping stone on the way in and then on the way out

In the short term, there seems to be no doubt that Hong Kong stands to gain from tour-ism into China. Not only is the colony the perfect stepping stone, but, as one commentator noted: "China is still very spar-tain, and so it can be a great relief to come out and relax in the bright lights and easy-going atmosphere of Hong Kong."

Mr. Pain sounded a note of

"If we only provide access to we will just be a passageway. People will stay for a night. "We have to acknowledge

nevertheless that it is a new attraction on our border. Being Chinese population here in Hong Kong, we are very in-terested in the mainland, and every effort is being made to co-operate with them. We want to make sure that our plans are in line with those for the de-velopment of tourism in China."

As far as John Pain is concerned, tourists still do not stay long enough: "After 21 days, there is a sharp drop in shop-ping, but tourism isn't just a matter of shopping. We want a visitor to find an interesting package here so that he will come back, and recommend Hong Kong to his friends. We want visitors to leave the colony saying they were not here long enough.

"Ironically, if a visitor stays for five days, then he usually wants to stay longer, if he stays for only two nights, then he leaves thinking he has seen

Hong Kong's hotels are full to the brim. The best hotels claim occupancy rates of between 90 and 95 per cent. compared with a world average of less than 75 per cent. This is in part a result of an effective moratorium on hotel build-

For many Japanese, a visit to ings ever since the tourist stopover in the neighbouring price rise. The total of rooms Portuguese colony of Macao, available has been virtually

static since 1974. New hotels are soon to be opened, however -- three this So occupancy rates may soon be destined to fall. Hoteliers have a nagging worry that new hotels are mushrooming just at the time when a tourist downturn is imminent.

Modest plans

The fear is not only that the latest spurt in oil prices will force up the cost of air travel to a point where the number tourists flying through Asia will slump. Economic recession in the United States, and the ripple effect this is likely to have in other countries around the world, is likely to hit people' wallets, forcing them to make more modest holiday plans than they might have

done a year ago. Many in Hong Kong are confident that the colony will escape relatively unscathed. They point to increasing wealth in South-East Asia, and the growing proportion of visitors passing through Hong Kong from these countries. They point to the still-high economic growth being achieved in the

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Deposits/Due to Banks	299,310
Other Liabilities	8,772
Shareholders' Equity	64,157
Total Liabilities & Shareholders' Equity	372,239
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Net Profit after Tax	4.157

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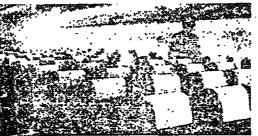
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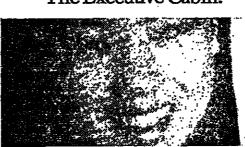
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Immigrant influx keeps wages down

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THE industrious and inventive markets, others were less labour force of Hong Kong had sanguine about the mid- to long-a mixed year. Few were unable term advantages of allowing vork thans kto record cotinued immigration on this demand for the colony's exports scale. Aside from the enormous strains imposed on limited Government social services like and a boom in the domestic construction industry. But those

workers who might reasonably have expected a fairly rapid growth in wages were to be disappointed, largely because of the massive addition to the labour force resulting from an enormous influx of immigrants, both from China and Vietnam. During the year an estimated 140,000 legal and illegal immigrants entered the colony from main land China, a large propor-tion of them finding their way on to the labour market. In addi-tion to this, on the last day of 1979 there was a total of 55.705 Vietnamese boat people still in Hong Kong waiting for resettlement. Of the boat refugees, around 20,000 took paid jobs during the year. Together they must have increased the labour supply by around 7 per cent.

The influx raised real fears among many in Hong Kong that a decade of economic and social achievement might be undercommunal impaired and plans for further progress thrown out of gear. and yet there were those in the colony who welcomed the invasion as a much-needed source of cheap labour at a time when a booming economy was suffering from a serious

There is little doubt that the influx kept wages down. The level went up by around 10 pre cent in real terms from September 1977 to September 1978, but fell to around 3 per cent in the same period last year. Even with this enormous addition to the labour force, unemployment in September last year was only 75,000 or 3.4 per cetn of the workforce.

In September, 1979, average working wage workers engaged in manufac-turing was HK\$40.39 (2bout £3.50) a day. Some 75 per cent of workers in manufacturing received daily wages of received daily wages of HK\$29.95 (about £2.60) while some 25 per cent received daily wages of HK\$45.26 (about £4) or more. The average wage for a manufacturing workers last year was therefore around £21

While this massive influx of cheap immigrant labour un-doubtedly helped to maintain Honk Kong its extremely comperitive position on world

education and housing, some analysts are worned that the massive growth in the unskilled worktorue
natural development
colony's economy.
"There's a recession coming
"hound to affect us. We

of last year's extraordinary growth," says an official at Нопа Kong's Development . "Hong Kong can no Council. longer afford these massive influxes of people from China. We are currently attempting to diversify our industry and in-crease the skills of our workforce to prepare for the time when we are no longer a cheap labour economy. What we should be aiming for now is a quality not quantity," he says. Others, while less outspoken, view the immigrants as very much a mixed blessing. Mr. much a mixed blessing. J. N. Henderson, Hong Kong's Commissioner for Labour, admits that the construction

boom may have been physically impossible without the extra supply of labour that he points to what he calls some "striking

disadvantages."

'They don't seem to have alcohol at lunchtime certainly safety legislation. the same degree of motivation as past influxes of immigrants. Their lack of training, experience and application has undoubtedly given us a number of problems. The number of of problems. accidents, in the construction

industry in particular, has shot up. New immigrants are just not used to modern building

Child labour With child labour now largely a thing of the past, industrial accidents have become one of the black spots on the industrial scene in Hong Kong. Last year there were 301 deaths and over 66,000 injuries while people were engaged in their work. Without doubt, construction sites are the biggest death traps. Nearly 40 per cent of the fatalities and over a quarter of accidents occurred at these, and In the five years to end 1979, construction site deaths grew 132 per cent while the number of accidents rose even further by 189 per cent.

Construction is our most hazardous area, and this is certainly made worse by the high proportion of unskilled young immigrants flocking to our construction sites in search of work. been up front fighting not only The latest influx is very for improved wages but a whole reluctant to accept discipline — host of labour, factory and

Rong Kong's chief factory

inspector.

The reasons for the high accident and fatality rate are several. Fines are too small, the factory inspectorate spread too thinly on the ground and both managers and workers

prove resistant to rules that they feel will slow output.

"We hope to get a budget of HK\$1.5m next year for a safety at work publicity campaign. The key is to change attitudes, and that can be a long process. Just as important is the education of as important is the education of Hong Kong's judiciary. Despite the fact that the maximum fine for failing to observe Government safety regulations is HK\$10,000, average fines last year were only HK\$700. This is just not a deterrent," says

Mr. Lap.

The plan is to double the number of factory workers from the present 126 over the next five years, and maximum fines should go up to HK 50,000 some time this year if lobbying from

the inspectorate is successful. One of Mr. Lap's complaints that the unions have done little to promote safety at work.
"In Britain the unions have

contributes to the accident do little more than shout. The rate," says Mr. Chan Shiu Lap. result has been that nearly all the advances have come from Government initiatives," says

Mr. Lap. While Hong Kong's weak and divided unions have undoubt-edly helped to maintain the colony's excellent record on industrial disputes, the reverse side of the coin has been that protection of very large poor and underprivileged section of

the territory's working popula-tion has been largely left to Government.
Under pressure from Britain initially over the colony's appalling record for child labour, the administration has made considerable progress in the last decade. Since 1969 a total of 152 items of labour legislation have been enacted to provide Hong Kong's workers with at least a minimum of pro-tection on redundancy, compensation, industrial disputes, paid bolidays, safety and working

hours. Though much of Hong Kong's economy must still remain outside the control of Government labour legislation it would be fair to say that the colony no longer generally reflects the image of Dickensian London it did just over a decade ago.

Demand for expatriate executives falls as locals climb the ladder

IN THE high summer of Britain's colonial days, the first son in any self-respecting landed family would expect to inherit the family estate, the second to make his career as an army officer, and the third would have to go out into the world and seek his fortune in the colonies.

These colonial days are long faded, though remnants remain in a place like Hong Kong, with its colonial administration and its trading houses-"hongs"like Jardine Mattheson, Swires, Hutchinson Whampoa and Hong Kong Land.

These form the basis of a still-substantial expatriate community. Their ranks have been joined by executives of the new colonisers - the multinational

ates is falling. Locally-educated executive mobility. people are winning more senior positions, and there are even signs of a greater reluctance on the part of executives from the West to leave home.

to bring about this change. In Hong Kong's Government, which employs over 120,000 people. just 3.118 are expatriates, even though there is a specific commitment to maintain a certain expatriate presence in the senior ranks of the Administra-

tion and the police force.

A policy of "localisation"—
turning jobs over to local people once they have the necessary skills—has been in force for the better part of two decades.

Outside the Administration and the police, only experts in short supply locally are recruited from overseas—most of them on contract. These include quantity surveyors, magistrates, architects, town planners, geotechnical engineers, senior lecturers, doctors, even bomb-disposal officers, and other skilled workers and professionals.

One consequence of localisation is that it is no longer cheaper to employ a local than an expatriate. Salaries are the same, and so are many job benefits. However, expatriates have an extra week's holiday. air travel home is paid every year, and housing provision is more comprehensive than for Hong Kong employees.

Reluctance

The multinationals-many of them American—are localising as fast as is practicable. Ac-cording to Mr. Tom King, Hong Kong director of Korn Ferry International, the world's largest executive search organisation: "No-one is going to bring out to Asia expensive expatriates to do a job that a local can do equally well." Along with a falling demand

for expatriate staff below the most senior levels, Mr. King cites increasing reluctance on the part of many U.S. executives to come out to Asia.

"U.S. tax law punishes the executive working abroad by insisting that he is taxed both at home and abroad. Such double taxation counts as a significant distincentive to going "It is no longer cheaper to

live in a place like Hong Kong than back in the U.S. A recent business international survey in-dicated that Hong Kong was as expensive as either New York

being able to buy back in when they return. Fed U.S. companies for an executive to keep his home while he is abroad. "Upheavals in Iran, Aghanis-

pression of an increasingly unstable and hostile working environment overseas.

"Even more important, a recent study sponsored by Korn Ferry and California study revealed that overseas experience is rarely recognised as valuable on the route to the top. Executives leaving for postings overseas may have a nagging fear that they were moving out

of the mainstream."
Against this backdrop, it is hardly surprising that Mr. King has found it more difficult in recent years to attract executives to work in Hone Kone. Locally recruited executives can fill the breach to some extent, corporations and international but by tradition, Chinese banks.

employees have proven reluct-But there are strong indica- ant to travel abroad—and multi-tions that demand for expatri- national companies need

Asian career

igns of a greater reluctance on he part of executives from the vest to leave home.

Many causes are conspiring multinationals, their centre of gravity is in Hong Kong, and they aim to offer a career in Asia,

company like Jardine Mattheson, which employs about 280 expatriates out of a total workforce of 2,800, nevertheless reports increasing difficulty in recruiting expatriates in the right quantity and of the right

They cite rising unemployment at home, which makes prospective employees reluctant to throw up secure jobs, a strengthening pound, which has seriously eroded the value of Hong Kong salaries in terms of their sterling value, and the recent fall in tax levels in Britain, which has induced potential recruits to stay in Britain to see if new policies adopted by Prime Minister Margaret Thatcher make it easier for them to earn their

fortunes at home.

All argue that Hong Kong is not only much more expensive but that the quality of life in the colony has dropped. Mr. Derek March, Britain's Trade Commissioner, said: "Higher costs are becoming a serious problem, particularly the cost of rents. Pressure on available services is high and access to the colony's leisure facilities has become much more difficult.

First, expatriates have to adjust to high-rise living and

rents that are out of this world
—HK\$10,000 per month is
thought reasonable for a threebedroomed flat in the modest mid-levels of Hong Kong island. Then they have to adjust to congestion. This bears in on the city streets, the roads, and the beaches. With population densities reaching 144,000 per square kilometre, and averaging 25,000 per sq km, escape from the thronging crowd is a virtual impossibility.

For a married man with children, education can be a nightmare. Most large foreign companies buy debentures which belp to ensure school places for their children, but even then they can expect 40 children per class.

Leisure facilities are also limited. Waiting lists for clubs vary from three years to a decade. Again, debentures offer a partial solution, but few London. multinational companies have enough debentures to provide that executives are reluctant to for all of their expatriate staff. sell their homes for fear of not being able to buy back in when taxes—a flat 16 per cent—make it unnecessary to offer higher basic salaries. But an executive

in Hong Kong is likely to cost

tan, Kampuchea and South executive in Singapore evidently Korea give executives the im- costs about half as much.

Many foreign companies compensate for the drawbacks of working in Hong Kong by providing perks. Debentures have already been mentioned, ensuring membership at clubs. company like Jardine also offers employees use of two junks, a launch, a 35-foot yacht, two cottages on the island of Lantau. one in Macau and one in Shikou on the Chinese mainland,

Salaries can also be tremendous by British standards. A company like Hong Kong Land will pay around £24,000 for a top man, with a bonus of between £15,000 to £20,000 on top of that.

But they are evidently taking long hard look at the kind of mix they need. When Korn Ferry started operations in Hong Kong in 1975, all of the executives it recruited were expatriates. By last year the figure had fallen to 20 per cent and looks likely to settle at around that level.

D.D.

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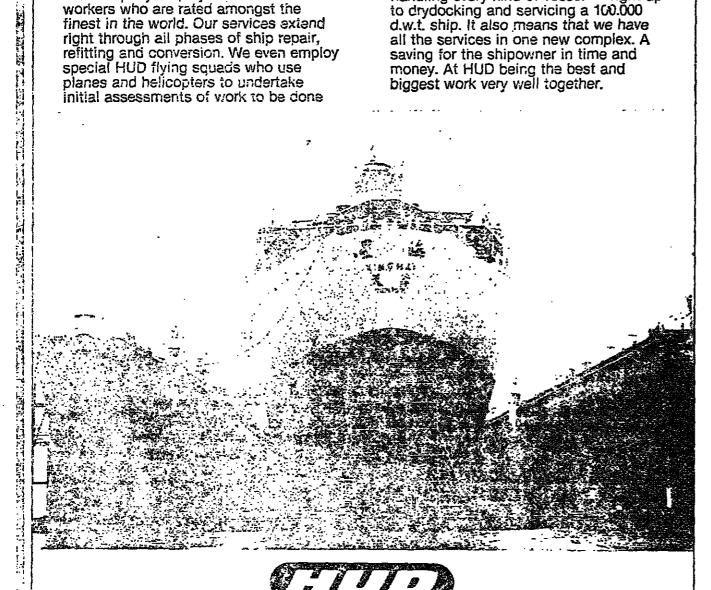
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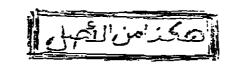
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HONG KONG XVII

Big developers push price of property to new heights

lionaires - not to mention several thousand millionaires... than all the other commercial nined. In the past year, however, property has acquired yield of just 1.3 per cent this almost a mystical aura, becom- year. ing the local substitute for the philosophers stone which would turn dross into gold.

But this is not surprising, since property has been at the beart of two major power plays over the past year — plays which have significantly altered the balance of commercial power in the territory.

Last October, Cheung Kong vehicle of the king of local property developers, Mr. Li Kashing — rocked the establishment by acquiring from the Hong Kong and Shanghai Banking Corporation an effectively controlling stake in Hutchison Whampoa, one of the leading European-run "hongs," Cheung Kong was able to do so because of the massive profits and even larger cash flow generated by several major property

Perfect timing

Mr. Li's timing of the market had been well-nigh perfect, enabling him to get into some key central district commercial developments around 1976, just before rents and capital values began to move rapidly upwards. However, Cheung Kong still lacked sufficient land to provide a steady flow of development opportunities. Hutchison had

the land, and Mr. Li had the Land also proved an irrestible attraction for shipping struction costs, and the govern-magnate Sir Yue-kong Pao, ment's decision to insist on whose empire was previously confined to the sea. He outbid and outmanoeuvred the Hong Kong Land Company, part of the Jardine Matheson empire, to gain an effectively controlper cent stake in the Hongkong and Kowloon Whari

Property have trol of Wharf and its huge 70 per cent in 1979. Prices at rents in the central district have Hong Kong bil- holdings of former dock and year's end showed even bigger now reached HK\$17 per square created more Hong Kong bil- holdings of former dock and warehouse land in Tsimshatsui that he ended up paying HK\$2.2bn for a mere 20 per cent and industrial activities com- of the company. The investment will give him a dividend

> But Pao has not been alone in bidding up prices to levels which even a year ago would unthinkable. Another big buyer has been the Carrian group, a wealthy consortium of overseas and local Chinese investors. Carrian has spent-more than HK\$2bn in the past year, including HK\$1bn for a central district office block, Gammon House. Hong Kong Land, which had paid only \$700m for it just a year earlier, was losing some HK\$60m annually difference between its rental yield and the interest on the money it had borrowed to pay

Land prices have seemed largely immune from the impact of rising interest rates. There have been especially sharp increases in Tsimshatsui. where several major sites have recently been sold by the Government. Early this year, one such prime site fetched HK\$16,000 a square foot, double what a similar one had done in mid-1979,

Prices of this order at a time of high interest rates clearly indicated that buyers were financing their deals from booming development profits rather than borrowings. However, in the longer term, values slightly were bound to be affected by high interest rates, rising conimmediate full prement for auctioned land in place of an instalment system.

Early this year it was beginning to become apparent that the small- to medium-size residential flat market had peaked. Average flat prices had risen 20 per cent in 1978 to HK\$4,337 :: So keen was Pao to gain con- square metre, and jumped by

gains as speculation reached fever pitch. But, to quote the Government's annual property regiew: "Prices had reached levels which, together with historically high interest rates, had removed from many families; any hope of obtaining even a

modest home of their own."
The fever would have run its own course anyway but was further cooled by the extension of rent control legislation to cover several categories of lettings hitherto outside its scope. Though new rental levels continued to climb, the fact that rent increases in almost all premises are now augustannual ceiling of 10 per cent investor premises are now subject to an

Doubled

The drop in values for smallmedium-size flats did not apply in large, luxury accom-modation. Demand in this area, especially for rented accommodation, remained high because of the continued influx of expatriates into the banking and China trade sectors. Rents at the top end of the market. which had averaged HK\$31 per square metre in 1978, had doubled to HK\$63 by the end of last year. Rents of small flats rose only 70 per cent over the same period.

The extension of rent con-trol means that all the marginal demand pressures are now concentrated in a small secof the total residential property market. Helf the population lives in Government housing, where rents are a fraction of those in the private sector, and most of the rest are either in owner occupation or in the private rental sector,

ich is subject to controls. Demand pressures at the top n paralleled in the commerc'al saviar with intense pressure for high quality central ngleer. According to Jones Wootton, prime

foot per month, compared to HK\$12 a year earlier.

Similar percentage increases have been noted in Tsimshatsui Wanchai/Causeway Bay, latter area has risen especially fast and top rents there are now said to be slightly ahead of Tsimshatsui. But rents in Tsimshatshui are likely to rise faster with the advent of the Mass Transit Rail-

Both areas are still 30-40 per cent cheaper than Central. Opinion is divided as to whether office rents have reached a plateau, or will start to decline as large amounts of new accommodation-about 3.2m sa become available. This developments above stations, which were mostly presold on a floor-by-floor basis. As result it is not entirely clear whether firm tenants are lined up for all of them.

During the 1973 boom, office rents peaked at HK\$10 square metre and then fell back to HK\$7. Such a sharp fall is unlikely this time, but some slippage appears possible.

Industrial premises, at least in the New Territories, are already in substantial oversupply despite the rapid growth in manufacturing output last year. Rents last year rose only per cent on average. A total 2.5m square metres is likely to be completed during 1900-91. rdding some 25 per cent to the

Looking further ahead values and rents of industrial premises er likely to be held down by the determination of the Govemment, under pressure from Isnd available to reduce land est disincentives to industrial diversification. Another factor ny he the opening up of the there's re-



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Education: 100 years' progress in a decade



Sikolid l'drin et Sha Tin, one of Heng line, s 2005-750048

THE extraordinary thing about hauled the colony a good bit further into the 20th century like the colony itself, is how fast it has grown and how far it has come in such a comparation as well as free. This means that every child is now entitled the colony a good bit further into the 20th century and but the colony a good bit further into the colony a good bit further into the colony a good bit further into the 20th century and but the colony a good bit further into the 20th century and but the colony a good bit further into the 20th century and but the colony a good bit further into the 20th century and but the colony a good bit further into the 20th century and but the colony a good bit further into the 20th century and but the colony a good bit further into the 20th century by making secondary education up to the age of 14 compulsory as well as free. it has come in such a comparait vely short period of time. Less
than ten years ago it was at
least a century out of date. Now
least a century out of date. Now
lone might perhaps fairly comwill be given powers to enforce pare it with the education system powers to enforce school attendance up to the age tem in Britain at the time of the Second World War. pare if with the education sys-

he Second World War. It was not until 1971 that primary school education was made free compulsory and available to all Hong Kong available to all Hong Kong children between the ages of six and 11. Before that Hong Kong had an unsavoury reputation for sweat-shop child labour similar to the kind of exploitation that occurred in Britain during the industrial revolution.

The headmistress of one of the recover. Chinese medium

the poorer Chinese medium secondary schools says: One of the reasons why we eventually got free primary school education was that the system was driving the kids on to the Hong Kong was widely con-demned as a proponent of child

government of this tough, comeducation. We now hope to be population. From around petitive, laissez-faire society getting down to improving its 500.000 after the war, it had

Next year the system will re-ceive another jolt when between 60 and 70 per cent of form three pupils—an estimate of those who are bright enough to pass the exam-will be provided with free form four and form five places. Thus no child in Hong. Kong, provided that he has the ability, will be prevented from passing the general certificate of education through lack of money or

Quality next

With the enormous expansion over the last ten years the streets, into crime or into lobs emphasis has almost inevitably where they were open to abuse. been on quantity rather than been on quantity rather than quality Mr. Kenneth Topley, Hong Keng's director for educalabour for many years—some tion since 1974, says: "Since the The problem of finding thing which obviously comes to beginning of the last decade enough adequate places both at a half if you put the children access has taken precedence— primary and secondary level to school."

we concentrated on giving Less than 12 months ago the everyone a chance to get into

serious shortage of adequately trained teachers. Often the only way the government has been able to fulfil its commitments has been to buy places at private schools, over whose standards it may have little

government The embarked on a major school-building programme (33 new secondary schools are planned for completion by 1981). But its continuing reliance on the private sector—some schools being built in the new territories are being offered to the highest bidder—has caused some to ask whether the Department of Education tried to run before it could walk.

"People have been offering much as HK\$ 250,000 (£22,000) for the right to run some of the new primary schools in the new government housing estates. This puts education into the hands of profiteers and speculators" says Mrs. Elsie Elliott, urban councillor and campaigner for Social

has been compounded by the fast growth of Hong Kong's

of the population under 15 has been largely offset by the successive waves of immigration have sometimes played havor with educational planning.

problems has been that with a majority of secondary-school subjects taught in English, many children from Chinese primary schools have got badly left behind. Mr. Charles Lowe of the University of Hong Kong education department says: "Many of these children have inadequate English, but they want to learn the language in order to maximise job prosperts. The educational price of this

influx into second education has been very high."

The intensely competitive of Hong Kone society nermeates every aspect of life in the colony, including educa-

Powerful

Almost 200,000

between he ages of three and six are enrolled in Hong Kong's 840 privately run kindergartens. With more than 80 per cent of the colony's children below school age in kindergartens these schools can and do have a powerful influence over the development and futures of ocal children. Some of these kindergartens employ pre-entry tests to preserve their reputa-tions, and the overwhelming majority concentrate on pre-paring children for the primary school entrance exams. Thus in Hong Kong the examination results of five and six year olds more often than not set into motion the course of their whole school life. The Government's education

department, at least, is keenly aware of the problem. A green paper has recently been pub-lished in which the Government makes a number of proposals to tacklet the key issues. The green paper aims to get as many kindergartens as possible to accept a Government subsidy in return for allowing it some say over standards—which in many kindergartens badly need to be raised. The paper suggests, among other things, the abolition of kindergarten entrance interviews and tests, more emphasis in learning by doing, a limit of four hours a day at school, and a minimum age for entry of three years eight

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HONG KONG XVIII

Massive building programme tackles housing problem

SIR PATRICK ABERCROMBIE, who drew up plans for rebuild ing London after World War II said 30 years ago: "In comparing Hong Kong with many other places, two special characterisemerge . . first the shortage of land for any sort of urban eservoir of possible immigra

Sir Patrick hit the nail on the head, and Hong Kong now boasts congestion problems and mmigration pressures which defy the imagination. These persistent problems have been the catalyst for one of the most far-reaching home-building pro-

grammes in the world.

Hong Kong's population has grown from 600,000 in 1945 to around 4.9m today. On a land area of just 144 sq kms, most of gestion in one part of Kowloon reaches 144,000 per sq km. The population density for the colony is almost 4,500 per sq km and over 25,000 per sq km taking into account only Hong compares with a density of 44 in Malaysia and 22 in the U.S. Housing problems were clearly

such that piecemeal solutions were quite inadequate. Two catalysts in particular galvanised the authorities to take precipitate action: first, a huge fire in Shek Kip Mei in north Kowloon on Christmas Eve 1953 colony's largest squatter settle-ments, leaving 50,000 homeless; and second, three major immlgrant influxes from China. The first wave came in the late 1940s, the second in 1962, and each brought around 1m Chinese flooding into the colony in a matter of months. The latest wave, still in progress, has brought a further 250,000 people into Hong Kong.

Emergency

After the fire, an emergency housing programme was begun a programme which was only ormally abandoned in 1973. [we]ve resettlement estates were built. Between then and 1962 18 low-cost housing estates

were also built.

By the mid-1960s, plans for a more dramatic solution—whole new towns-were taking shape. Not new towns as imagined in suburban England, but full-blown high rise metropolises. The "new town" of Tsuen Wan, west of Kowloon, is destined to grow to 1m people, while two others, at Sha Tin and Tuen Mun, will grow to 500,000 each. 80,000 and 250,000 are also planned in the new territories. In 1972, Hong Kong governor Sir Murray Maclehose an- "Now nounced a 10-year public largely bousing programme 30bn and would provide homes

private purchase). In the new

example of a truly private enter-prise system. Evidence of this

Kong's economy has, against

considerable odds, continued to

fundamentalist laisse-faire brand of capitalism might be a roaring

economic success, but the social

cost can be very high. Not far from the mile-long glittering

facade of Nathan Street - a

shopper's paradise that makes London's Oxford Street look

positively provincial - lie acre

after acre of squalor and apparent destitution.

Bunched precariously on eroded billsides, perched on top of 20 storey skyscrapers and

floating platforms in the har-

bour, spread across old disused quarries and among giant housing complexes, are the fragile huts of nearly a million squatters. They live, like others of their kind in Rio, Jakarta and Colontes in maleshift atmosphere.

Calcutta. in makeshift struc-tures of hardboard and corruga-ted iron, wherever there is an available space.

rently 750,000 squatters through the colony, but admits that this is only an educaed guess. The last squatter survey, in 1976,

slower to arrive. In a city like Tsuen Wan, which has already population lives in If population growth projec-

Between 1979 and 1984, the

Creation of such large cities from scratch inevitably causes social and infrastructural problems. For a start, families

building sites. As Mr. David Akers-Jones. Secretary for the New Territories, recently acknowledged: "Now our new towns are largely dust and landscape which defiled by earth - moving would cost more than HK\$ machinery, with here and there a glimpse of the fountains and

> Social and recreational amenities have not grown apace with residential accommodation, and it will be several years before they "catch up."

But even if one accepts the

population are squatters, often living in the most squalid con-

At first sight-and most

ter areas seem to explode the myth of Hong Kongs success.

The life of the average squatter is certainly not an

easy one. A new squatter buys

his illegal shack (current price around £900) from a racketeer,

gang which may have evicted a market gardener to obtain the land in the first place. He is then forced to steal elec-tricity and water by illegally

tapping an existing network that may be supplying a nearby

Having got so far, he runs

the gamut of health hazards

that accompany the lack of sewage and rubbish disposal. He also faces the immediate possibility of having his home knocked down by the Govern-

way for new development in 1978 and 1979). And lastly he

has to face the very real possi-bility that he might fall victim

housing estate or factory.

well established manufacturing centre set next to Hong Kong's main container terminal, Kwai Chung (which has the fourth highest cargo throughput in the world), this has not

But Sha Tin has faced serious problems. Due to its particular location, atmospheric pollution unless strict controls are put on local industries. At the same time, scute sewage disposal problems rule out certain kinds of industry from setting up iocaily.

As a result of these problems, very little industry has yet been which is due north of Kowloon on the main route to the Chinese border. It has become a dormitory town for commuters selling the flats twice a year to Kowloon or Hong Kong and limiting sale to famile island—a serious drawback for planners aiming to turn Sha Tin into a self-contained and integrated community.

Transport problem

A further problem has been to develop road and rail links fast enough to guarantee easy access to the new towns. Six gages for repayment over E lane highways now link years. But by 1982, they will Kowloon with Tsuen Wan and Tuen Mun, and one is being built to Sha Tin. A second beyond the date when Britains vehicular tunnel has been lease of the territory from carved through the Kowloon China lapses in 1997. The Government

is being electrified, double-tracked and generally moder-

to the new territories

tions are improved. The n yet "balanced" as the colony's planners would like them to be

These are all genuine an justifiable teething proble Mr. Akers Jones confidently pre-dicts: "We know how, within the constraints of high density One persistent

en the alarming rise in] Government has split loyalties On the one hand it has a commitment to provide housing as relies on land sales to fine keeping prices high.

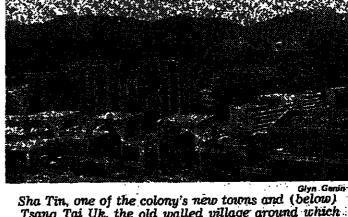
the Government recently imposed controls on the cost of private rents, limiting increase to just 20 per cent every two

For the poor (no family eathing more than HK\$3.185 is entitled to public housing; re have been kept fairly stead About 55 per cent of families public housing pay out less than 6 per cent of their income in rent. For the 6.9 per funds are paid out. Since 1976, the

has had a policy of building rent. The first come onto the market in 1978. They are now in

build about 5,000 a year with earnings of HK\$5,000,1 between 25 and 30 per cent cheaper than similar flat

The sale of leases in the pay territories is soon likely to raise a delicate new problem. Banks traditionally offer more not longer be able to do 30 without allowing repayment ernment's "build for sale" pro-The Kowloon-Canton railways, gramme could flounder inless the colony's lease problem is



Tsang Tai Uk, the old walled village around which



public housing. In the colony as a whole, the figure is 40 per cent

tions made a decade ago had not been rendered irrelevant by the constant immigrant influx, such a major building programme would have answered most of the colony's housing problems. As it is, however, about 140,000 families are still on housing waiting lists, and unless they opt to go to outlying areas of the colony, they can expect to wait around seven years for accommodation.

housing authority expects to build another 150,000 housing units. But in the same time a further 215,000 families are expected to join the queue for new bomes

have had to adjust to high-rise living. They have had to move into cities that look more like

for almost 2.5m people. By early this year, colony's housing authority had 400,000 tenancies, with a building programme aimed at providing an extra 35,000 homes a year (5,000 of these for

gardens of the future amidst pile drivers and scaffolding of the present."

Squatters: Price

of laissez-faire

HONG KONG is lauded through-out much of the Western world months some believe the figure

success. say the colony's this still means that around 15 admirers. is the fact that Hong per cent of Hong Kongs total

grow at a rate that must certainly be the envy of much of the developed and under-developed world.

developed world.

The colony's free-wheeling casual visitors to Hong Kong fundamentalist laisse-faire brand do not notice them—the squat-

Mr. Donald Liaou, Hong ment's 1,300 strong squatter-Kongs Secretary for Rousing, control unit (over 73,000 estimates that there are cur-squatters were moved to make

was limited to a count of the to one of the many fires that huts and not the number of rage through squatter areas people living in them. With the every year or one of the annual

CONTINUED ON NEXT PAGE

as perhaps the most shining could top the million mark.

foothills.

nised—at an estimated cost of HK\$ 2bn—and is due to be



Since the beginning of the 1970s Hong Kong has rapidly emerged as a financial centre for the Asia Pacific area region. The proof is provided by the presence of a large number of international banks and near banking institutions and the impressive growth di-offshore loans. In addition, there is a large congregation of foreign non-bank financial intermediaries, such as insurance companies brokerage houses, money brokers, unit trusts and mutual funds. The Hong Kong money markets have been described as the venue. for financial roulette. For British investors well-versed and aware of the special features of the system they can be lucrative.

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Corruption: a cancer hard to eradicate

AN OBVIOUSLY corrupt Mister tices — the opium trade between A research unit also conducts Departments, and public bodies, very fact that Hong Kong's popuboth increased in total last Fixit waddles across the screen the West and China. The city-surveys of community attitudes. may be geared to reduce the lation is rising so fast and so year, the number of prosecu-Fixit waddles across the screen the West and China. The city- surveys of community attitudes. and counts his ill-gotten gains. It state's free wheeling ways have One recent survey indicated the looks as if he is bribing his way had 138 years to take root, continued need for educational to more loot. But those whom he ICAC has only been on the job effort and more television comsolicits report him, while a resince 1974. Hong Kong's mercials: those surveyed perassuring voice affirms that Chinese have abundant reason ceived considerable virtue in there must be no return to the for being cynical about the ways those who were not corrupt but bad old ways and days. Mister of the world. Traditional less virtue was ascribed to fixit gets clobbered. The viewer Chinese, and also western, practions who report corruption. solicits report him, while a reis enjoined to "Walk tall, report

...This 30 second cartoon commercial, in both English and Cantonese, appears regularly on Hong Kong television. It ends with the complaints telephone number of its sponsor, Hong Kong's Independent Commission Against Corruption (ICAC).

It is obviously having an effect. After a slump in 1978, the number of reports received by ICAC is back to the 1977 level; the year which ended with the police mutiny against ICAC and the resultant amnesty or past corruption offences

The number of complaints in he year following these events leclined to 1,234 but in 1279 ose to 1,665 with a greater proportion being non-anonymous 961) rather than anonymous (704). Evidently the quality of be complaints improved. ICAC ound 1,066 of the complaints worth detailed investigation. A ecord number of 284 persons vere prosecuted as against 181 n 1978 and 272 in 1977. Lighteen prosecutions aken last year against those knowingly making a false

But while the television dvertisements may encourage omplaints they probably will ot cure the disease - indeed, he greater the public awareness nd ICAC effectiveness, the core likely it is that the corrupt rill become more devious, and ifficult to detect.

fices in this home of free enterprise do not always rest easily with moral ideas con

to twist the message of the commercial, the tremendous social and economic pressure to walk tall by amassing some wealth, even if that means cutting some corners. ICAC references to "winning the hearts and minds of the population" are appro-priate reminders of the terminology more usually associated with guerrilla warfare. "By far the most difficult task," says the 1979 annual ICAC report, "is to persuade the Hong Kong com-munity as a whole that corruption is unacceptable. It must be stopped, and everyone has a part to-play in stopping it."

Small part This difficult task is handled vision commercial is only a small part of the department's effort. This spans the media as were a whole, the education system, youth clubs, as well as government bodies and departments. Seminars and workshops are held to promote civic responsibility and awareness of citizens' rights. Specific projects range from creating a monopolystyle board game to carry the anti-corruption message, to preparing booklets on officials in Chinese history noted for

In order to get yet more positive perceptions and influence to future behaviour, the ing, and precise legal definitions, vital community relations work of, what is corrupt. requires "vivid up-to-date ex-Above all, perhaps, there is, amples of corruption which can be used to drive home the lesson that evil is still present." Here, as elsewhere in Asia, the complaint is often heard that ICAC gets the small fry but not the big fish. Every complaint has to be investigated—and people are more likely to give convincing evidence of the small examples of corruntion small examples of corruption that impinge on their daily life rather than the larger examples of illicit wheeling and dealing. But the latter cases are the

ones that drive the anti-corruption message home. This year the conviction of Walter Boxall, the former property manager of the Hong Kong telephone com-pany, will help towards this end. He was recently sentenced to by the community relations four years in prison on 12 department of ICAC. The tele-charges of accepting kickbacks, charges of accepting kickbacks, and five charges of conspiring to

defraud. The Boxall case was additionally useful as an example, given the longstanding Hong Kong "tradition" of the corrupt to flee with their ill-gotten gains. Boxall quickly departed the colony when ICAC was hot on his trail, but was subsequently extradited from Britain.

The reason Boxall's corrup-tion was discovered reveals another little-known side of ICAC's work. This is the corrupifficult to detect. their integrity. tion prevention department Likewise the CPD has the police, that theme is still Hong Kong itself, after all, The network of ICAC district (CPD) which advises on the involved itself in the procedures an important one. While the ecame a colony because of one liaison offices throughout Hong ways in which the procedures of the immigration department, numbers of complaints against, f history's more corrupt pract Kong is being further extended, and practices of Government. As some observers see it, the and investigation of, the police

opportunities for corruption in the first place. The trail that led to Boxall's ultimate conviction began when the corruption prevention department submitted a report on the procurement procedures of the telephone com-

Last year, the CPD submitted 59 reports on various aspects of administration and re-examined and revised 32 earlier reports. These cover a wide field ranging from the procedures governing land belonging to the Kowloon-Canton Railway to those used by the Inland Revenue for assessing profits tax, from the methods of the police in enforcing traffic laws, down to pro-cedures used by the marine department to grant certificates competency to owners of pleasure craft.

Some of the preventive work has wider relevance than just anti-corruption. Two of last year's analyses dealt with the issuing of certificates for Hong Kong exports.

One report concerned the certificate procedures of the Government, the other the practices of the five chambers of commerce and manufacturers' associations which are also authorised to issue certificates. Fifty-four per cent of all Hong Kong exports are covered by certificates of origin which facilitate access to markets or allow preferential tariffs to be claimed. As the ICAC annual report points out, "At a time when quotas and trade protec- about housing, and 59 about new tion barriers are of growing territories. ignificance, it is essential that Kong's certification systems be recognised worldwide as effective, closely supervised, and trustworthy.

continuously adds to the pressures which induce corruption. One aspect of the widespread resentment felt at the continued inflow of refugees and illegal immigrants is the suspicion that in this field, at least, syndicated corruption continues to exist.

The very fact that illegal immigrants are granted identity cards if they make it to the central urban areas stems, in part, from the fear that if this were not so, the illegal immigrants would go underground and become a further pressure for corruption.

Twice as many

Conversely, the number of corruption reports received by ICAC concerning the immigration department doubled last year from 28 to 56, leading ultimately to five prosecutions in 1979 as against one the previous year. But in terms of detailed corruption investigations of Government department ICAC, immigration ranks fifth after the Royal Hong Kong Police, public works, urban services, and the new territories administration.

In terms of ICAC prosecutions, the police are still fore-most with 44, followed by public works (12), trade and industry (7) and immigration.

In terms of corruption complaints, the police led in 1979 with 635. Ninety-one were received about the public works, 79 about urban services, 64

Thus while enough has already been said to indicate that the struggle against Hong Kong coruption cannot be seen merely in terms of ICAC versus Likewise the CPD has the police, that theme is still involved itself in the procedures an important one. While the of the immigration department. numbers of complaints against,

tions has declined—from 126 in 1977 to 62 in 1978 to 44 last

كذامن الأحيل

It was, of course, the growing scandal of police corruption which primarily led to the formation of ICAC in 1974, and the tensions which erupted in 1977. The operations depart ment of ICAC hopes that large scale syndicated corruptionwhich in the public mind was particularly associated with the police—is "now dead and will remai nso." ICAC claims that there has been a steady improvement in its relations with the police." Liaison and consultations between the two are growing and improving. The police undertook 35 of the 284 prosecutions initiated by ICAC last year.

Unlike Singapore Hong Fare

Unlike Singapore, Hong Kong does not enjoy the anti-corruption advantages of being an independent city state, with stable population, self-governed and driven by a political leadership and party which can preach and pressure for greater puritanism. In Hong Kong the pressures continually rise for something much less than walking tall. The rapid expansion of economic links with China also opens up many more theoretical possibilities for illegal corner-cutting, apart from those involving immigration. The very uncertainty over Hong Kong's colonial future could be a massive inducement for corruption as the date of 1997 looms closer. As it "presses home the attack" against corruption. ICAC seeks

more allies in the struggle for integrity. Ultimately, these allies must include China and Britain, since London and Peking have the responsibility of eliminating corruption-inducing political uncertainty.

Harvey Stockwyn



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Profit before Tax	2,435	1,168

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Squatters continued from previous page

hree fires made 10,000 Cowloon area. The first fire lone used up all the temporary Government housing available. "One of the greatest hazards

quatters face is fire. The forst one last year was at Ma Chat Hang in Kowloon. It the majority view in The started at four in the morning. there was a big wind blowing among the squatters. md the squatters' shacks, 300 huts were burnt out and that has produced the problem. around 6,000 squatters were The colony has received vast made homeless. It was amazing numbers of legal and illegal made homeless. It was amazing shat no lives were lost," says like Smith, Assistant Director i Housing in charge of iquatter control.

Not unnaturally iquatter areas provide ideal ocations for the activities of riminals and gangsters. Even hack building can be big busi-tess in Hong Kong, and fights setween rival gangs for control if the more lucrative squatter treas has become commonplace n the last couple of years as he pressure on land and housng has increased under the vave of new immigrants from

"The Triad hut - building: acket is now a multi-million ollar industry. Recently I got hrough an amendment to the long Kong Crown Ordinance to nake it possible for the police o go into squatter areas and rrest these racketeers. The roblem is, though, in getting eople to testify against these riminals, who show little hesiation in using force to stay in-usiness," says Donald Liao.

In fact the police have made ome spectacular arrests in the ast few months. At one of the nore unsavoury squatter areas, at Hom Wok, the police have ecently arrested a number of angsters from the Tal Yum sai (Big Circles Boys), and a riad gang known as the 14K. hey had been fighting for con-rol of the shack-building nonopoly in the area and in the ocess three of them had suf-Cered serious stab wounds.

Later Squatter Control ssisted by 30 policemen, moved a and knocked down 238 new hacks that had been built in the revious week. The outcome was a loss of HK\$238,000 to the angs, and around a thousand hillside shacks breed hundreds prential squatters were left of family businesses. Many find

squat

The immediate reaction of the average visitor from Britain when confronted with hillside after hillside of these sordid settlements is to fling Hong Kong's laissez faire battle-cry in its face. But this is not Housing Authority, not indeed

Officials argue that it has been immigrants, mostly from China. They believed, and still believe, that Hong Kong has more to offer either materially or ideologically than the place from which they came.

Inseparable

Our urban area is so small. our economic strength has been so visible, the influx has been so great. The post-war history of this place is virtually inseparable from that of squatting. First they came to escape the nmunists, in 1949, then in 1962 to flee the famine in Guangdong, and more recently they have flocked in as restrictions in China have eased under the new regime. These three great influxes have created major housing problems—something we could hardly plan for," says Donald Lino.

"In fact if was the Ship Kip Me disaster in 1953, when overters homeless, that first forced, the Government to start an emergency housing programme. Today we have over 2m people in Government flats, a major proportion of them ex-squatters

entered Hong Kong in 1978 and that the squatters who have 1979, squatting provides an been here for 20 years and the initial foothold in the colony. locals on the seven year public In time, some will move on to housing waiting list have to the 30 storey public flats they suffer. The Government must can see from their tiny one room give up this so-called " shacks. Others will find the fair play" immigration policy economics of staying put an which allows those who beat the attractive proposition. Others border patrols to stay. We now still will never make it, and are have to get tough, and start forced to eke out a meagre sending new illegal immigrants livelihood in what can hardly back to China, wherever and be called ideal conditions.

whole way of life. The rickety to solve our squatter problem."

In one month alone last year, looking for somewhere else to themselves with telephones fridges and television sets, while a few become millionnaires. The only thing that unites them is that they are living illegally, on land over which they have no rights, and in conditions which to most Westerners would be totally unacceptable.

> In one of the old-established squatters' areas, up in the hills above Kowloon, works and lives squatter In-Wai Hui. He's been right to remain there. In an old quarry surrounded by trees he has designed and built his own sulphuric acid plant. The plant reeks of acid fumes and one of his 15 workers proudly shows the burns on his leg, saying "Our acid is over 90 per cent pure it's the best in town." Mr. Hui is a millionaire.

"We are curently building 35,000 public-sector flats a year, and we have a seven-year waiting list, most of whom are not squatters. I am under no illusions about solving this problem. Ten years ago we thought we might have had it licked, but if immigration continues at this rate it will be impossible to see an end to our squatter population," says Donald Liao.

Others disagree. Mrs. Elsie Elliott, MBE, an urban councillor who champions the rights of the Hong Kong Chinese says: "The key problems are housing starts and the level of immigration. If we can build a Mass Transit Railway in such night a fire made 50,000 squat-a short time, I fail to see why Government housing.

it all are the illegal immigrants. Now they no longer come for ideological reasons or to escape or children of squatters."

For most of the 280,000 legal search of the better life. A direct consequence of this is In Hong Kong, squatting is a that's the only way we're going

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Gambling on a golden future in the commodity markets

futures making it, say the promoters of the scheme, the principal gold trading centre for Asia.

Hong Kong already is an important gold centre by virtue of having the Chinese Gold and Silver Exchange Society (Kam Ngan) but this deals in physical gold rather than operates on the archaic unit of taels rather than ounces, and trades gold of a fineness lower than that used in international trades.

The opening of the proposed gold futures market, now in an advanced stage of preparation, will bring Hong Kong into direct competition with Singapore. which launched a similar market less than two years ago. Both centres are keenly aware of the competition they will present to each other in the coming few years.

On March 5 this year when the Hong Kong Government formally announced its approval for gold futures trading being added to the other activities of commodity colony's exchange, the Singapore Government announced tax cuts to help nurture the republic's

fledgling gold futures market. Since then the Singapore Gold Exchange has offered other inducements, such as the introduction of a kilobar contract along with the standard 100 oz contract.

No one doubts that the Hong Kong exchange's decision to add gold to its existing futures activities in sugar, cotton and soya beans is going to deal a blow to the Singapore gold draw about half of its business from Hongkong at present.

But Hong Kong dealers argue that once the two markets are established and working in tan-dem they will induce flows of new business, to their mutual benefit, from the U.S. and elsewhere as international dealers maximise their opportunities in Asia while other markets else-

where are closed. Meanwhile, the Hong Kong Commodity Exchange has had (one tael is equal to 1.2 fine problems much closer to home to worry about. Until very re-

change being allowed to trade gold futures.

Mr. Woo is a powerful man in the commodity world, being also vice-chairman of the Hong Kong Commodity Exchange's holding company, Seacom, His

Mr. Peter Scales, chairman of the exchange admitted that without the Chinese speculative element—an essential feature of any active futures market—the new venture could be badly im-

Paper market

Mr. Woo claimed that there was a kind of gentleman's greater scope for trading at the agreement when the exchange margin, which futures offer, opened that one commodity it would not trade in was gold, traditionally the preserve of the Kam Ngan.

Other parties denied the existence of such an agreement, however, and many people found it hard to understand Mr. Woo's opposition to a "paper' market when the one he controls is concerned essentially with physical gold.

The Kam Ngan does not deal to futures and though it does give investors the chance to keep their position open through payment of a daily fee, this is not really akin to formal futures trading.

The Kam Ngan supplies a

good deal of gold to the local. thriving jewellery trade and it also draws in a lot of speculative business, not only from Hong Kong but also from wealthy overseas Chinese in places as far apart as Thailand, Indonesia, the Philippines and Vietnam

Everything seemed to favour the Kam Ngan being able to speculating. keep this business against competition from the new futures market, which would cater more, it was argued, for the international builion and commission rather than for local speculators.

Chinese in Hong Kong and elsewhere in the region are accustomed to dealing in taels ounces) rather than ounces, and

BY THE END of July, Hong Kong hopes to have in operation a formal market in gold posed to the commodity exchange will deal than with fringe operators.

The question of fringe operators. commodity exchange will deal in and which is favoured by similar futures and physicals markets around the world.

One reason for this is the Chinese passion for sporting gold in the form of jewellery and thus their desire to have a slightly harder metal (0.99) opposition to the new market which will not be damaged so could not be taken lightly. which will not be damaged so easily as the finer, but softer,

metal traded elsewhere. In view of all this it was difficult to see why Mr Woo put up such a long and stiff fight against the futures market, and even threatened at one stage that the members of the Kam Ngan would boycott it.

Some people felt that Mr Woo was in fact afraid that the much margin, which futures offer, would lure the gambling-prone Chinese away from physicals trading, where the scope for speculation is not so great.

Mr Won to some extnet acknowledges this but puts it differently. He argues that he does not want the small investor in Hong Kong to "burn his fingers" by dabbling in futures

trading.

And there is no doubt that, given an opportunity, the local Chinese community from amahs (servants) and tax drivers upwards will happily try any kind of gamble available, be it Hong-Kong's heavily-patronised race courses or the local stock ex-change. Mr Woo likes to think that the Kah Ngan understands the local Chinese better than a (largely) expatriate-run commodities exchange would and that even though the Kam Ngan offers the chance to deal in minimum lots of 100 taels (currently costing only around HK\$3,400 (\$16,660) his dealers discourage the small man from

Whether as a measure to placate Mr Woo or not the Hong Kong Government when it formally announced its approval for the new futures venture went out of its way to stress that the new market would not encourage speculation.

Regulations against syndicated trading would continue to apply and lots would have to be of a specified minimum value. for centuries, according to Mr This would offer no scope for cently, Mr. Woo Hon Fai, the Woo (they have bought gold of small investors, and big inveschairman of the Chinese Gold 0.99 fineness rather than the tors would be dealing on a pro- and commission houses the new authorised for

Mr Woo and the Kam Ngan are concerned. The Hong Kong Government has long been concerned about the activities of companies which employ high-powered salesmen to talk local Chinese into highly speculative trading in gold.

More often than not this leads to serious losses for the inves-tor and sometimes to threats and worse if they are unable meet their commitments in a falling market.

It has been claimed that these fringe elements deal through the Kam Ngan, although Mr Woo firmly denies that anyone other than his own members are allowed to deal there.

It is always possible for fringe operators to deal through his members, Mr. Woo admits, but he claims he firmly warns members against dealing with fringe operators and that any who persist in doing so can be suspended from membership.

Mr Woo claims than fringe operators do not need to go through any formal gold market if they can persuade one up of investors to sell gold and another to buy, and take the margin themselves.

At most they would need only to buy topping-up quantities through the market when supply does not exactly match

Fringe dealers

Meanwhile, the Government, approaching the problem from a somewhat different angle, has stated its intention to bring in legislation curbing the activities of fringe dealers.

Mr. Woo now declares him-self to be satisfied that the new futures market will not encourage undue speculation and, therefore, he fully supports the venture. He also admits that he has encouraged some members of the Kam Ngan to apply for membership of the gold dealing section of the exchange.

Mr. Scales for his part welcomes this development and says that with a nice balance of elements, speculative international bullion dealers a maximum of

venture has all the right things are governed by the announced on June 18 that the.

He is hoping that Japanese commodity dealers, who have ambitions to become an increasingly powerful force on the international commodity dealing scene, will join Hong Kong's new market as active

One problem, however, is that the Japanese are used to dealing in groups rather than under the individual "open outery" system which characterises Western-style commodity ex-

Traders used to either way of dealing tend to be suspicious of each other, but Mr. Scales is hoping that measures he has taken to lure the Japanese into Hong Kong's soya bean market, by allowing group trading, will in time lead them to try "open outcry" too and that some form of synthesis will altimately

Meanwhile, the Hong Kong Commodity Exchange is increasingly on its guard over its own membership. The exchange has 250 shares issue -such

ingredients for an active

gold traders.

changes.

Futures trading at Hong Kong's commodity exchange has so far centred on cotion fabore), sugar and

soyabeans. A potentially lucrative new market in gold futures is scheduled to open in the near future

Each member is issued one and more than 80 have gone of cotton and sugar futures and delivery in London. The trading on the exchange and trading method would be open still only moderate activity in

But the explanation is that, once accepted as a member of the Hong Kong exchange a dealer can become officially registered in the colony and can then begin soliciting business locally to place on other international commodity markets.

Bull phase

rush. I would expect that we would be more selective in processing applications (for membership of the exchange) to give priority to those dealing in our own market and not merely using us as a means to elsewhere," says Mr. "We have had a flood elsewhere," Scales. of applications from potential

members," he adds. The Hong Kong exchange of 100 troy ounces.

official Commodities Trading contract for gold futures has made 100-troy onnce and Ordinance. trading would be of 100 troy expensive, however, and the ounces of 0.995 fineness cast in figure may be scaled a 100 troy ounce, 50 ounce and Delivery of the Hong Ross out already. This is surprising one kilo squs. The currency of traded gold t already. This is surprising one kilo squs. The currency of traded gold will almost view of the moribund state quotation would be U.S. dollars certainly be in London. entry and the trading language Chinese (Cantonese dialect). Margins are yet to be decided. This will all take several weeks and the new market could be

Memories are still strong of how cotton futures trading was launched in an established bear "Now that we have the gold phase-theoretically as good as a bull phase for speculatorsand how, nevertheless, it

flopped. The gold futures contract in Hong Kong is likely to match broadly those used in New York, Chicago, London and Singapore and will almost certainly be denominated in U.S. dollars though Hong Kong dollars have been considered) for lots

Recent rises in the gold price

exchange members trade will also need deciding. In view the extreme price volatility or gold and the way various exchanges have had to top the their margins in recent m ready to go in about two months the margin requirement is likely but the launch will almost to be stringent compared in certainly be delayed until the other commodities already. gold price looks to be in a traded in Hong Kong. sustained bull phase. While the new m

While the new market in Hong Kong expects to published a good deal of the business which has gone to Singapores fittures market and some of the 25 per cent or so of U.S. gold futures market deals which originate in Hong Kong, Mr. admits Singaport recent decision to cut taxes on offshore gold dealing to 10 per cent (while Hong Kong retains a 17 per cent tax rate on such profits) could influence the degree of shift between the the

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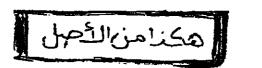
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On the razor's edge of a takeover

AMERICAN Independence i were likely soon to be over. shareholders. ince the U.S. company, igheny Ludium, already Ludium, already sinst over 44 per cent of incident and a good deal of City range in 1978, the stock market hardly stunned by the news it was now planning a full

wen so, it was not widely ker a few days ahead of the 3 announcement. The k Exchange is likely to e a full inquiry into pos-insider dealings, an vity which is now Hegal.

Alkinson's fortunes have in a distinct turn for the se over the past year and circumstances of Alleg-y's contemplated bid Illuse the UK company's unhappy ierability to controversy. or Allegheny made clear

it had been forced to rush an early statement of its and early statement of its missions by the sudden rise wilkinson share price over a week ago. If the k Exchange does find clear ence of illegal share transons in the market, those onsible could be the first to prosecuted under the new ipanies Act. nat, however, is no concern

Wilkinson now, nor of gheny which would have to out some £27m to sharelers in the UK group if the cash offer per share being outcry, this was scaled down to idered is translated into a the present 44.4 per cent and

t that level, the whole of owner of True Temper, which cinson Match is valued at made a major contribution to and the U.S. company has profits until last year's decline.
that it would want its new At Wilkinson Match, the disition to be run as at management is not over-keen ent and with the same to speak about the recent past, agement.

AMERICAN Independence If present City takeover entry of Allegheny or, more down more than a quarter to approached last week, rules had been in force early in sensitively, last September's £14m in the 12 months to kinson Match, the major UK 1978, Allegheny would not have accroic exchanges in its own March 31—due to a change in and match group was talk ir and match group, was told been allowed to own more than boardroom. a Pittsburgh steel company two-fifths of Wilkinson without its days of corporate free- making a full offer to all of its

> The way in which the transaction was conducted raised many hackles in the City and among leading financial institutions, and the terms were later Match in 1973. revised so as to gain a measure of general acceptance.

The story began when Allegheny marched in holdly at ight that Allegheny would the end of 1977 and paid over the market price—260p against kinson's shares began a the prevailing 210p — for the market price—260p against the prevailing 210p — for the market price — for the market price — for the market price — for the prevailing 210p — for the market price — for the prevailing 210p — for the market price — for the price — for viously owned by Swedish

to an eventual change in the

The plan was for Wilkinson to buy a subsidiary of Allegheny the True Temper

garden tools and sports goods

company, in return for shares

cent stake without making a

In the wake of the resulting

Wilkinson duly emerged as the

At Wilkinson Match, the

whether it concerns the initial

formal offer to shareholders.

departure from the chairman- period-and a lower dividend. ship, and later from the Board. of Mr. Denys Randolph, a member of the family which built up the Wilkinson Sword company which then merged with British

Mr. Randolph had pointed to the worsening financial position Wilkinson, since borne out by its latest results, and complained that his ideas were not being listened to by the executive team, which he wanted to

Since then and following a settlement of the legal actions which each side had initiated

he said: "I have been at odds

won the Americans."

of the business.

with executives who are linked

This was a clear reference to

year-end, there are six more These led to the embarrassing months in this accounting

> It is in the razor market, an area where Wilkinson has made significant breakthroughs in the past, that the company is being most heavily battered. America's Gillette is providing stiff com-petition at the upmarket, higher profit margin end, and BIC of France is eroding the market from below with its disposable product.

Ironically, Wilkinson is up against these same two companies in two other major product sectors, pens and lighters. In its personal products division. At that stage, Allegheny had against the other, Mr. Randolph 1979-80 from just over £1m to losses shot up alarmingly in more than £4m, with two-thirds of this attributable to razors.

Around half of the shaving losses stemmed from the tough U.S. market, where Wilkinson has seen its share drop from around 8 per cent at the end of the 1960s to about 4 per cent. BIC has also made its presence uncomfortably felt in the U.S. where it has startled breached neither the letter nor has become a good deal more the spirit of the Takeover Code, muted. At the time, after but it was its next move which refusing a £210,00 consultancy Gillette with its aggressive surge into the cheap, disposable end of the razor business, as

well as cutting into the low price pen and throw-away lighter markets. On the hardware and houseware side, which takes in Mr. Christopher Lewinton, Wilk- garden tools and includes the inson's chief executive and a True Temper interests. Wilkinmember of the Allegheny board, son suffered a drop from £7.2m which would have given the and Mr. Anthony Shanagher, to £4.1m in operating profits.
U.S. group a controlling 51 per the finance director who is also while marches and lighters the finance director who is also while matches and lighter closely involved in the U.S. end slipped from £12.6m to £12. while matches and lighters

Last week, Mr. Randolph said explained he was glad that Allegheny had finally shown its head. "I think action, "We are going to have it's a good thing to get rid of a leaner, tighter company." In any more uncertainty. I hope one troubled sector, writing this will settle things and that instruments-namely its 56 per Wilkinson will begin to cent siske in the Scripto com-nany in the US—2 tiny At the moment, Wilkinson f177,000 profit was made after November to April and based and protection range, though he certainly does not look over- a near £900,000 loss in the healthy, with pre-tax profits previous period.

Mr. Christopher Lewinton (left), chief executive of Wilkinson Match and Mr. Robert Buckley,

chairman of Allegheny Ludlam of the UK market. Wilkinson about this side of Wilkinson's bigger grouping within which it

Where Wilkinson intends to concentrate most of its thrust

merly with the U.S.-controlled this field is Graviner, which Prestige Group, and Mr. John makes fire and emplosion pro-Hope who runs the safety and protection division.

Although recent consumer In all of these areas. Although recent consumer splained Mr. Lewinton audit figures show that Gillette's lead in the UK recor market is HTL ladustries, a leading pro-a clear one. Williamson is con-ducer of aircraft fire entingishvinced that its new fighting spirit is paying off. "We are truding back to brand leader-ship," claimed 21r. Bloxeidge.

Mutch nearly 36 per cent, and activities.

BIC just over a tenth. But in As well as razors, where the last few months, Mr. Wilkinson made a considerable its merger with British Match. Bluxcidge said: "We have reputation through the quality over the next lew years is the BIC just over a tenth. But in

Wilkinson's main company in expansion in America.

ducer of aircraft fire entingishing systems based in Collifornia. Wilkinson's stake is 20 per cent.

"These are high technology products with good margins.

safety and protection side, the last few months, Mr. Wilkinson made a considerable where operating prouts were Bloxeldge said: "We have reputation through the quality slightly higher at 25.4m. In the picked up about three market of its blades in the 1960s, the wilkinson has brought in being able to penetrate more several new managers since late last year, chief among them being Mr. John Blowedge for the safety and protection is hopeful of tools. The company currently has around 37 per cent of the non-mechanical market in association with Allockers. public probably knows the on Wilkinson business and

This it hopes to achieve Palmolive. through True Temper, which defence purposes.

Early last year, Wilkinson the market, below the sector to which introduced a similar prowhich Allegbeny to buy HTL ladgement of the market below to which with Allegbeny to buy HTL ladgement of the market below to which with allegbeny to buy which Wilkinson hopes to gain dust called Be-file. greater access.

One reason why this side of past 12 months was the UK engineering strike w seriously affected output.

stocks on a large scale because of the worsening economic climate. Unluckily, True Temper also suffered in the North-East of the U.S. from the lack of snow last winter, which led a overstocking of snow tools in the trade.

Just how Alleghey Ludium, which more than doubled net earnings last year to \$71.5m and is best known in the U.S. for its special steels, intends to follow through on Wilkinson's strategy for recovery remains to be seen.

It is hard to see Allegheny taking much interest in matches, for which Wilkinson has great hopes of both Brazil, where it is investing steadily,

and South Africa.
That leaves shaving, hardware and safety and protection as the main fields in which Allegheny could attempt to add its own financial and policy-

making weight to that of Wilkinson Match.
Wilkinson pioneered the bonded shaving system in 1970 could better exploit such inno-

the U.S. up to 10 times a year tends to talk in dollars rather than pounds, said the company clearly needed a new American partner in this market after the expiry last year of its distribution agreement with Colgate-

With its Contour shaving

Whether Wilkinson really is its business put up a less than catching up, at least in the UK glittering performance in the shaving market, will be shown in future profit figures, though which Mr. Lewinton warns: "Don't it. look for goodies tomorrow." But there were also problems. Allegheny's move last week has on actual cash sales show that was dightly regretial that the in the U.S. with both whole-posed some new questions about Gillette had nearly 51 per cent public knew relatively little salers and retailers cutting Wilkinson's future direction.

Letters to the Editor

Allegheny's plan for Wilkinson to buy

True Temper raised an outcry and

led to a change in the Takeover Code

generated all the heat and led offer to leave the Board quietly.

unding **Enorts**

n the Managing Director, ort Finance Consultants

r,-While we are continubeing reminded of the lems facing out exporters use of high interest rates es seems to appreciate the wing facts.

the average interbank d was a prominately 11.50 , ~ Euro-ruilder draft 9 per cont p.n. a richer area will have a higher of the franc overdraft total income than the poorer sche Mark overdraft 6 per p.o. On May 19, 1980. nst a bose rate of 17 per h a Frenchist franc aver-'t would have been based approximately 5 % per cent

forward the "draw the nett rate could been reduced still forther approximately 9 per cent 2 per cent p. . 7.50 per p.a. and minus 5.50 per poundage. resnectively. On May 19. the nett mite for a Swiss 🚶 per cent p.a.

hese rates make a nonsense The croy that our exporters t automatically become less petitive with a rising spot Few companies, however, n to appreciate the advanis to be had through the ctive use of the foreign lange, forward and Euroency markets. Indeed, it is range paradox that having of it for the benefit of our

moment 70 per cent of all siced in sterling, which is scheme with no drawbacks at the like saying that when all, then please ask him to tell we go abroad most of us us what it is! ever speak English!). P. Edwards.

ort Finance Consultants, union House. tholomew Close, EC1.

ocal authority ants

m Dr. David N. King r,—In your issue of June 30,

tions of the proposed block phrases as "Ministers reporting. pt that this is nonsense." more ludicrous aspects of system's working" and "it k grant proposals certainly

poundage. The grant paid will be the same irrespective of the a strong £, very few com- poundage the area actually sets. Naturally, areas with low rateable values are more depenbout 80 per cent of our dent on grants than areas with are funded out of high recebble values, and this ling overdrafts. Against an gives rise to a major disadvanage base rate of 13.70 per tage of the scheme, for poor p.a. throughout 1979, how- areas will find it harder to vary on which a Euro-doller their poundages than rich ones. If two areas set a poundage יח -e- ריח' (sav) higher than the standard one, then the

9 per cent p.a. and a Euro- one, a somewhat inequitable situation. In the second scheme, the amount of the grant that an the interhank rate on area would obtain if it set the specified poundage is calculated as before. Now, however. it will obtain that amount only it actually sets that poundage. v drawing down the Euro- If it sets a higher or lower noundage then its grant is ter throughout 1979 and raised or lowered in proportion. This overcomes the objection to the first scheme, for each area ands both its rate and its grant income, and hence its total income, proportional to its Unfortunately, the ease with which authorities can raise expenditure may produce c nverdent could have been a level of aggregate local

red to any orimately minus spending higher than desirable for a given state of the economy. The present rate support grant is a mixture of these two types and so suffers from the disadvantages of each A better scheme would ensure that any two areas with the same poundage will have the same total income, but be so devised that progressive rises in poundages result in ever smaller he world here in London, ring he widest range of lities, we make very little of it for the hereft of way than necessary. In such a scheme, a high-spending, rich order to achieve these area may be faced with a without incurring negative "grant," though if will range rates it is neces face the same poundage to to invoice export sales in expenditure relation as all other currencies concerned. At areas, so this drawback hardly seems serious. If, however, exports are still being Robin Pauley can construct a

(Dr.) David N. King. University of Stirling, Stirling, Scotland.

Telling a clear

From Mr. L. Rockley.

reporting (June 27) and its choice of the top ten companies in Pauley makes clear his appears to have missed a it for local authorities with the evaluation of company

I refer to the use of accounttion.

bere are two classic types only but result in compounding not need Treasury backing for grant scheme for local the confusion of the non-loans.

The logical financial structurities. In the first, the specialist Furthermore, account-

to the present system local cuchority overspending can very quickly have an impact on telecommunications investment. בי בייקביים בי בייקביים מופנים מו feerig' fing-piel and non-היין ניין לעור בין ניייר ניין

reports should be published more frequently than the once per year, outdated annual picorial accounts booklet. Let us have reports which meet the needs of the separate markets. If you look at the Hoechst company reports you will find a glossary of financial terms which assist the reader to find his way through the mists of

increases in total

introduced shortly.

story

Sir.—Your article on company

ing terminology which is still a major obstacle to a reasonable is the random use of multi- understanding of corporate rers to make it work." The ports-by the non-specialist The so-called explanatory notes, i tidying up, but overall which accompany profit and loss deserve a more favourable accounts and balance sheets serve to assist the specialist

principle is that each area in standard for determining ture for British Telecommunishould be able to spend a specified sum (per head) if it specified sum specified sum (per head) if it sets a specified rate poundage, and so each area receives a grant equal to the difference between the specified expenditure and rate yield it would obtain if it set the specified poundage. The great raid will

to the varied informats of moreon incolorant and mobile motion investors, customers.

reports designed to satisfy the remirements of the many dif-

financial terminology. Also the Eaton Corporation of the U.S.A. has produced a tape recording which explains the annual accounts for the use of blind ocopie, and others with impaired sight. Clearly a member of the board or the top mangement team must be charged with the duty of continually "putting the company's story over" to the satisfaction of all who are, or may be, affected by the corporate operations now and in the future.

L. E. Rockley, (Reader in Finance). Department of Business Studies, Coventry (Lanchester) Priory Street, Coventry.

British Telecom structure

From Mr. M. Corby Sir,-The news that PO Tele-

communications is to pursue its investment programme (July 1) highlights the need for a reformed financial structure for the new corporation British Telecom which will be set up under legislation due to be

telecommunications are treated as part of the public sector borrowing requirement. This however, is inappropriate as PO Telecommunications is a wealth creating rather than a wealth absorbing industry.

Moreover, with its record of growth and profitability it does Middlesbrough, Cleveland.

par' cularly suitable for financing long-term capital investment projects as shareholders are prepared to accept modest dividends in the early years in explange for the prospect of capital growth and dividend in an array with titele introases later. formers and the remarks financial structure is that it would give management the would give management the fearbility to align investment with customer demand and free n from having plans disrupted

The benefits to the nation whild also be considerable. Firms of every size currently find themsalves constrained by delays in installing lines and equipment, and frustrated by poor quality lines. The appli-There is a need for special cation of advanced office couldment and computer technology is increasingly dependent upon the telecommunications network. Thus if it is not upgraded quickly every sector of the economy will suffer, but especially those involved in advanced technology. Thus the performance of British Telecom over the next few years will determine more than any other single factor, the sort of economy the UK will have in the 21st century. Restriction on Telecommunications investment will result in the UK missing out in the technological revolution, and that is the most telling reason of all for giving British Telecom freedom from Government restrictions raising its capital.

> Telecommunications Users' Association Tress House 3-7 Stamford Street, SE1.

Back your own judgment

From the Librarian. Teesside Polytechnic

Sir. - An advertisement appears in your paper of June 26 for a director-general for the Confederation of British Industry. Replies, as is all too often the case these days, have to be sent not to the organisation seeking the candidate but to a firm describing themselves as "management consultants' and which Men and Matters describes as a "head-hunting firm."

Over the last decade real of British industry and business investment by PO Telecom- seems to have been incapable munications has fallen. In of selecting staff without the 1970 net expenditure on fixed use of such "consultants." assets was £370m, this peaked What is the role of and justifito £490m in 1973. Thereafter cation for such unnecessary there was a year by year intermediaries? If industrialists decline to £280m in 1979 (all have no confidence in themfigures at 1970 prices). What- selves to carry out this primary eyer the faults of management function of selecting their own or the difficulties caused by staff and when the same failure unions this record of declining has apparently spread to the investment is the underlying organisation seeking to speak cause of so many of the current for them, is it any wonder that deficiencies of the telecom- we are in serious economic munications services. The nub trouble? What hope is there of of the problem is that loans for any economic or national recovery when the people at the top of industry abdicate their primary duties and responsibilities?

> views as a former employee in industry and not necessarily those of this address. R. Moss.

Today's Events GENERLL UK: National Union of Mine-

workers annual conference opens, Eastbourne (until July

Mr. David Howell, Secretary for Energy, is guest of honour at Anglo-Venaguelan Dinner, Saver Hotel, London. British Redical Association annual representative meeting.

Annual conference of Women's Farming Union, Brenchley. Queen and Duke of Edinburgh attend reception at Canada House to mark 190th Anniversary of the establishment of the

Canadian High Commission in Duke of Edinburgh, as Chanreliar of the University of Salford, attends private viewing of the International Photographic

versity. Louis Armstrong Anniversary autonomy.

Concert, in aid of the Mount-batten Memorial Trust. Royal Festival Hall, Loudon.

PARLIAMENTARY BUSINESS
House of Commons: Government announcement expected to

Church House, Westminster. Opening day of Festival of the City of London (until July 19), Overseas: Mr. John Nott, UF. Civic Centre, Newcastle upon Tyne (until July 11). Secretary for Trade, begins five-day visit to Nigeria to meet key

Ministers and address the Nigerian-British Chamber of Commerce in Lages. European Parliament session, Strasbourg. French President Valery Order International Giscard d'Estaing isogina five-day official visit to West Germany for leges) Order.

Rouse of Commons: Governestival Hall, Loudon. ment announcement expected to July session of General Synod, request MPs to accept smaller pay increase than recommended hy Lord Boyle's Top Salaries Review Board, Private member's motion on problems of youth. Civil Aviation Bill, remaining stages.

House of Lords: Employment Leisure. Colmore Investments. Bill, report stage. Third read-ings of Magistrates Courts Bill and Hassell. R. W. Toothill. House of Lords: Employment and Highways Bill. Eurocontrol (Immunities and Privileges) Order, International Organisa- Page 19. tions (Immunities and Privi-

talks with German leaders within the framework of the Franco-German treaty.

Select Committees: Treasury Indies, Taunton.

Athletics: Team announcement policy: Bank of England officials for AMOCU-BAAB Games at Arts Exhibition at the Uniteraction on restarting Accounts on Welsh Development Golf: Open Championship, Prince of Wales attends the negotiations on Palestinian Agency accounts: Welsh Office regional qualifying rounds, six Louis Armstrong Anniversary autonomy.

(Room 16, 4.45 pm). OFFICIAL STATISTICS Wholesale price index (June provisional). Housing starts and completions

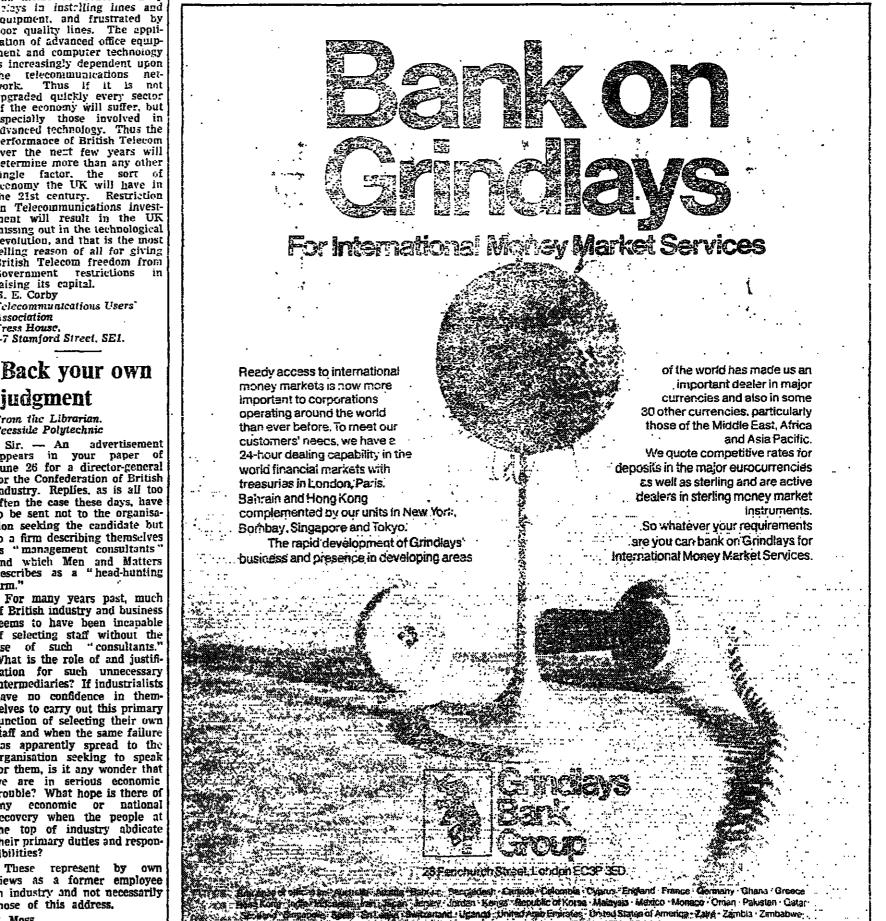
(May). Hire purchase and other instalment credit business (May). Personal income, expenditure and saving and company profits (first quarter).

COMPANY RESULTS Final dividends: Associated

Retail sales (May-final).

COMPANY MEETINGS

SPORT Cricket: Somerset v West



UK COMPANY NEWS

was necessitated by an acute cash shortage. This resulted partly from unprofitable business in America and partly from high

stocks and difficult trading con-ditions in UK retail trade.

Greenfields

up slightly

at midway

PRE-TAX PROFITS of Green-

fields Leisure, the retail and wholesale leisurewear and camp

The directors say that the mar-

ginal profit improvement reflects the general decline in the retail

industry in recent months and it

is not possible to anticipate an

up-turn in trade.

In the face of an evidently

deepening recession, the board is

pessimistic regarding the current year's results. However they are maintaining the interim dividend at 0.84p — last year's total was

3.15p from record pre-tax profits

First-half tax-charge is £231,000

affect profitability calling for

these conditions the board is

ts full market share and all divi-

strict control of costs and the

maximisation of cash flow.

of £1.06m.

This advertisement complies with the requirements of the Council of The Stock Exchange.

Österreichische Kontrollbank Aktiengesellschaft

(Incorporated with limited liability in the Republic of Austria)

U.S.\$ 150,000,000

10% Guaranteed Notes Due 1985

U.S.\$ 50,000,000 of which are being issued as the Initial Tranche

... Guaranteed as to Payment of Principal and Interest by the

Republic of Austria

Issue Price for the Initial Tranche 981% adjusted for interest from July 15, 1980

The following have agreed to subscribe or procure subscribers for the Initial Tranche:

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Full particulars of the Issuer, the Guarantor and the Notes are available in the Extel Statistical

Service and may be obtained during usual business hours up to and including July 18, 1980 from:-

European Banking Company Limited

S. G. Warburg & Co. Ltd.

The Stock Exchange subject only to the issue of the Notes.

Orion Bank Limited, 1 London Wall,

London EC2Y 5JX

Creditanstalt-Bankverein

Interest is payable annually on July 15, the first payment being made on July 15, 1981

-F. H. Lloyd still suffers from depressed trading

TRADING conditions at F. H. Lloyd Holdings continue to be depressed both at home and abroad, Mr. R. H. Foster, the chairman, tells shareholders in

predict the outcome of the cur-rent year's trading but the introduction of the mini-mill towards the end of 1980 is expected to begin to contribute to group profit, the chairman says.

For the year ended March 29 1980, external sales rose from £63.5m to £64.1m but pre-tax profits were £2.37m against profits £3.42m after higher interest and

severance payments.
The chairman says that research indicates that through out mainland Europe and the UK, there exists a surplus foun-dry capacity some 30 per cent in

excess of foreseen demand.
While three of the group's four foundries achieved satis-factory results, the heavy foundry at Wednesbury continues to suffer from the serious lack of demand from the energy, earthmoving and ordnance market

The service companies traded satisfactorily and while similar results in the current year are expected, the effects of curtailment of West Midlands industrial activity have to be recognised. the chairman says. Order books in engineering are generally satisfactory, he adds.

The mini mill project is proceeding well and its start up is expected for September as

BOARD MEETINGS

depressed both at home and abroad, Mr. R. H. Foster, the chairman, tells shareholders in his annual report.

The group's costs are being particularly affected by the recent swingeing increases in energy prices while sales prospects are being reduced in export markets.

The general industrial outlook makes it extremely difficult to predict the outcome of the currence of the currence of fine and the sub-divisions shown below are based mainly on least very service to the currence of fine and the sub-divisions shown below are based mainly on least very service to the currence of fine and the sub-divisions shown below are based mainly on least very service to the currence of the cur

	CIURE DAILU	
۲.	· Interima—	
S	Gestetner	July
-	Maggitt Holdings	July
O	St. Andrew Trust	Juli
P	Sharpe and Fisher	Aun
•	Finals—	
	Avenue Close	July
١,		
1	Cook (William) (Sheffield)	July
	Dagian Holdings	July
K	Danjan Holdings Diamond Stylus	July
t	Diamone Styles	
	Graig Shipping	July
d	Jones Stroud	July
_		July
	Mitchell Somers	
t	Monk (A.)	July
_	Nchange Cons. Copper Mines	Juh
! -	Trustees Corp	Juh
2		
	Warner Holidays	Juh
-	' Wataon (R. Kalvin)	_ July

originally planned. The Board's confidence in the project's potential benefit has been strengthened by trends that have developed since last year. Meeting, Great Eastern Hotel, EC, July 30 at noon.

RECEIVER FOR D. MACDONALD

A receiver has been appointed Donald Macdonald (Antartex), tanner, manufacturer and retailer of sheepskin coats and jackets, of Dumbartonshire. The receiver, Mr. Frank sions are well placed to benefit Mycroft, a Glasgow chartered from any economic uplurn.

Sutcliffe Speakman losses rise

ciated with brick-making plant supplied to the Middle East have brought increased losses for Sutcliffe Speakman and Co., engineer, in the year ended March 31, 1980.

The pre-tax deficit depended from £407,000 to £503,000, including costs relating to the Middle Eastern contracts of £322,000 (£700,000). But the board states that the group is nearing the end of these problems.

Also included in the loss are

sharply increased interest charges of £271,000 (£103,000). After tax credits of £668,000 (£218,000) and an extraor inary credit this time of £79,000, there is an attributable surplus of £248,000 against a loss of £190,000. Earnings are shown as

ing group, for the six months to April 30, 1980 are up slightly from £438,000 to £444,000 on turnover of £8.95m, against £7.29m. 6.6p (nil).

The dividend is again passed —last year a single payment of 1.3184p was made at the interim

> The chemical plant side per-formed satisfactorily during the year, say the directors, and the carbon division had another excellent year, although it was appreciably affected by the adverse dollar exchange rate.
>
> Group turnover was £157,000

> ahead at £7.59m. WESTERN DOOARS TEA HOLDINGS
> —Dividend for 1979, 4p (5.24p) for
> 1979. Pre-tax loss for 1979 £43,664
> (£7.966). Attributable losa £133,782
> (£611;599) after tax etc. Loss per shore
> 12.90p (6.87p).

(£228,000) giving earnings per share of 1.57p against 1.54p. High interest rates continue to ASSAM DOOARS HOLDINGS-Pre-tax profit for 1979 E53,923 (£15,632). Attributable loss £30,549 (£447,156) after tax, etc. Loss per share 9.78p (12 59p). Dividend 6:0p (9.5057p). pleased the group is maintaining

INVEST. TRUST OF GUERNSEY—Net saset...value per 50p share at June 30, 1980, 225p (201 at December 31, 1979).

July 7, 1980

R. Moss falls in second half

A SECOND half drop from shares of £1 each with 10p paid £255,910 to £138,637 has left the so far and the balance also taxable surplus of Robert Mess subject to call.

down from £508,418 to £457,091

Mr. Algy Cluff, cheirman of for the year ended March 31, 1980.

Turnover of this plastic injec-tion mouldings manufacturer was alread at £3.37m, compared with

At halfway the directors said they were not in a position to assess whether or not the interim profit rise would be continued in the second half, because of effects of the engineering strike and the possibility of further industrial unrest in the coming months. They now say that the current austere frading conditions are persisting into 1980/81 with little

indication of any improvement but they remain confident in the future of the company.

And with the return of stable trading conditions, the directors

would expect profits to increase substantially. After the year's tax charge of £130,731, against £34,902, net

profits came through at £326,360 (£423,516) giving earnings of 3.26p (4.23p) per 10p share.
The dividend, effectively lifted to 1.596p (1.5298p) net with a 0.896p final, absorbs £159,600 (£152,981). The amount retained

was £166,760 compared with £270,535.

Cluff joins in Seventh Round

Cluff Oil, the independent exploration company, has formed two subsidiaries to join in new consortia for the seventh round of North Sea licence applications and has sold all their unlisted shares to institutional and private investors.

The Moray Firth Exploration

Company has issued 4,350,000 ordinary shares of £1 each, payable as to 10p per share with the balance subject to call. The Channel Exploration Company welcome who has issued 2,700,000 ordinary held or not."

so far and the balance also subject to call.
Mr. Aley Cluff, chairman of Cluff Oil, said yesterday that the £887,600 raised after expenses would be used to meet costs and expenses of seismic data and the licence application.

Moray Firth Exploration will have a 40 per cent stake in the.

Moray Firth exploration will-have a 40 per cent stake in the. Moray Firth consortium. Cluff Oil interests will total 50 per cent of this consortium directly and indirectly and the remaining 10 per cent is to be held by Matheson and Company.

Legal quibble over Milford Docks meeting

A legal tussle is developing between the board of Milford Docks and three shareholders who are seeking to be elected to the board.

The three men, Mr. Faik Ezen, Mr. John Knowles, and Mr. James Thomson Moore notified the board of their intentions on

On July 2 the board wrote to shareholders postponing the annual meeting due to be held tomorrow while it quizzed the men about their backgrounds and reasons for wanting to join

the board. Mr. Charles Smith, the chairman of Milford, admitted that a "legal quibble" existed which had still to be resolved. Under normal company law annual meetings could not be postponed by decree of the board, but Milford Docks was incorporated under a special Act of Parliament in 1875 and this might have a bearing on the

In the circumstances be advised shareholders to turn up at the Hyde Park Hotel at noon tomorrow where they would "be welcome whether a meeting was

BETT BROTHERS LIMITED **Building and Civil Engineering Contractors**

INTERIM STATEMENT HALF YEAR ENDED 29th FEBRUARY 1980 1979 9,406,911 Group Turnover 9,932,712 Unaudited Profit 1,019,780 before Taxation 451,437 Corporation Tax at 52% 530,286 489,494 Group Profit after Tax

125,975

Interim Dividend declared

27/28 Lov	at Lane London EC3R	8EB_	Te	laphon <u>e</u>	01-621	1212
ണ്യാ:s capitalisatn.	Company		Change on week	Gross Div (p)	Yield %	P/E
3,46 5	Airsprung	- 60	- a	6.7	11 2	3.51 I
725	Armitage and Rhodes	29	- 1	3.8	13.1	1.9+
8,401	Bardon Hill	.275×d	- 9	. 138	5.0	B.1†
750	County Cars 10.7% Pt.	75	~ 3	15.3	20.4	
6.351	Deborah Ord	92	_	50	5.4	10.1
4,387	Frank Horsell	117	_	7.9	6.7	7.3
12.713	Frederick Parker	88	- 2	12.8	14.5	4.0t
2,087	George Blair	96	3.	18.5	16.8	-i 1
2,050	Jackson Group	82	+ 2	6.0 .	7.3	3.11
15,734	James Burrough	114	+ 2	7.9	6.9	9.3
7,080	Robert Jenkins	302	+ 2	31.3	10.4	9.61
3,400	Torday	221	+ 1	·15.1	6.8	3.81
3,179	Twinlock Ord	147	- 0 ²	_	_	<u>-</u>
2,047	Twinlock 12% ULS .	75	_	12.0	16.0	1
6,137	Unilock Holdings	47	- '	2.6	5.5	10.0
1.C12	Unitack Holdings New	46	-		_	9.8
11,622	Walter Alexander	92	- 1 .	4.4	4.7	6.1
5,088	W. S. Youtes	218	+ 1	12.1	5.5	3.51

WE ARE PLEASED TO ANNOUNCE THAT

SHERIF RAAFAT

EXECUTIVE DIRECTOR

HAS JOINED

Kidder, Peabody SECURITIES LIMITE 99 Bishopsgate, London EC2. Tel: 01-638 6272

U.S.\$ 15,000,000

The Industrial Bank of Japan, Limited London

> Floating Rate Certificates of Deposit due 7th July, 1983

> > IBJ International Limited

Credit Suisse First Boston Limited

CU investment bond

The Commercial Union Assurbond, with investment in four ince Company, one of the largest funds; property, fixed interest composite insurance groups in the UK. is extending its unitlinked life operations with the launch today of the Hand in

Thi	sisa	single premium	life
SPAIN	,		
٠,	1980		luly 4 Price
High	Low	- '	%
228	203	Banco Bilbac	226
258	217	Banco Centrei	253
220	203	Banco Exterior	212
230	200	Banco Hispano	228
137	118	Banco Ind. Cat	120
175	141	Banco Madrid	141
282	237	Banco Sentander	
190	140	Banco Urquiio	156
238	208	Banco Vizcaya	237
209	200	Вапсо Датедоха	206
106	75	Dragados	81
62	58	Espanola Zinc	60
66	53.2	.Fecsa	59.2
40	24	Gal. Praciados	25
71.7	58.7	Hidrola	65
68.2	57,5	Iberduero	61
120	100 7	Petroleos	107
92	59	Petroliber	87

and cash under the management of the CU and equities, a fund of National Westminster unit trusts managed jointly by CU and NatWest. Investors can switch between funds.

CU is, however, not offering a managed fund unlike all other unit-linked life operations .by It already offers an equitylinked single premium self-employed pensions plan — the

Variable Annuity Plan — which it inherited when Northern Assurance was acquired. CU also offers a regular savings scheme linked to NatWest Units the Sunflower scheme. latest move expands conside ably the scope of its linked life

The contract will be marketed through NatWest branches and through specialist brokers in this The minimum investment is £1,000 and the charges are normal for this type of contract.

M. J. H. Nightingale & Co. Limited

27/28 Lov	at Lane London EC3R E	3€B	Te	laphon <u>e</u>	01-621	1212
າກາງດ _{ີ s} capitalisatn.	. Company		Change	Gross Div (p)	Yield	P/E
3.46 5	Airsprung	60 60	- 3 Ou Mass	6.7	% 11 2	-3.5t
725	Armitage and Rhodes	29	- 1	3.8	13.1	1.9+
8.401	Bardon Hill	.275xd		· 13 B	5.0	8.1t
750	County Cars 10.7% Pt.	75	- 3	15.3	20.4	9.15
6.351	Deboran Ord	92		5.0	5.4	10.1
4,387	Frank Horsell	117	_	7.9	6.7	7.3
12.713	Frederick Parker	88	- 2	12.8	14.5	4.01
2,087	George Blair		. – 3.	18.5	16.8	
2,050	Jackson Group		+ 2	6.0	7.3	3.1
15,734	James Burrough	114	+ 2	7.9	6.9	9.3
3,080	Robert Jenkins	302	+ 2	31.3	10.4	9.61
3,400	Torday	221	+ 1	15.1	5.8	3.8
3,179	Twinlack Ord	147	- Osp	_	_	— i
2,047	Twinlock 12% ULS .	75	— .	12.0	16.0	_
6.137	Unilock Holdings	47	_ `	2.6	5.5	10.0
1.C12	Unitack Holdings New	46	-		_	9.8
11,622	Walter Alexander	92	- 1 ,	4,4	4.7	6.1
5,088	W. S. Yootes	218	+ 1	12.1	5.5	3.5†

The Directors have declared an Interim Dividend of 1.2000p per share (1979—1.0000p) on account of the year ending 31st August 1980 payable on 18th August 1980 to members on the Register as at 24th July 1980. PO Box No. 1, 9 Cox Street, Dundee DD1 9AB.

October Sugar 335,23313 Our clients speculate, free of tax, in very small to very large

1. London Traded commodifies, including GOLD.

2. The STERLING/DOLLAR exchange rate. LG. Index Limited, 73, The Chase, SW4 ONP. Tel.: 01-62 7

CORAL INDEX: Close 480-485 (+5)

Österreichische Länderbank Aktiengesellschaft

12 Tokenhouse Yard,

London EC2R 7AN



CI Finance (Netherlands) N.V.

U.S. \$100,000,000

11 per cent. Guaranteed Notes 1983

unconditionally and irrevocably guaranteed by

Imperial Chemical Industries Limited (Incorporated in England under the Companies Acts, 1908 to 1917)

S. G. Warburg & Co. Ltd.

Orion Bank Limited

Banque de Paris et des Pays-Bas

J. Henry Schroder Wagg & Co. Limited

Kleinwort, Benson Limited

Deutsche Bank Aktiengesellschaft

Credit Suisse First Boston Limited

Hambros Bank Limited

Morgan Grenfell & Co. Limited

Summary of results for the 52 weeks ended 29th March 1980 1980 1979 £'000 £'000

External Sales 64,090 63,510 Profit before 2,374 3,416

Net profit for 1,691 2,801 the year Ordinary Dividends 4.0p 6.1229p

Points from the Statement by the Chairman, Mr. R. H. Foster:

The profit for the year was affected by national and domestic strikes. The effect of these strikes was felt mainly in the first half and this, added to the usual impact of annual holidays in that period, contributed to the substantial improvement in the second half profits.

New 'Mini Mill' Project This is proceeding well and we

anticipate start up in September as originally planned. Our confidence in the potential benefit to be gained is strengthened by trends which have developed since my last report.

Future Prospects

Trading conditions generally continue to be depressed both at home and abroad. Apart from the influence of present rates of inflation on the level of wage expectations our own costs are also particularly affected by the recent swingeing increases in energy prices, while the strength of sterling reduces.

our sales prospects in export markets.

The general industrial outlook makes it extremely difficult to predict the outcome of the current year's trading. However the introduction of the Mini Mill' towards the end of the calendar. year is expected to begin to contribute to group profit.

The Annual General Meeting will be held at 12 norm on 10th July, 1980 at The Great Easts A Hotel, Liverpool Street, London EC2.

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ITERNATIONAL BONDS

BY FRANCIS GHILES

Window slams shut on many fingers

WOMEN'S final at imbledon, the regatia at issue closing at a very sickly mley and the U.S. indepen- 954-6 last Friday. The underrobond markets, particularly had subscribed. London, were virtually closed The \$50m tap issue for the end of what had proved Oestreichische Kontrollbank

eabythe end of week. For new issue managers there 2884 to yield 10.40 per cent. This is little to celebrate. Most of is consistent with this herrow-Conding Issues priced last week were er's policy of trying to ensure that the terms on which reasonable level in the seconty were being offered to industry market.

It was not immediately clear that the description of the seconty were being offered to industry market.

> Secondary market: The Province of Nova Scotia d the Republic Steel bonds st was trimmed by \$25m to price of par had only narrowed in the coupon raised by 1 to 5 points. r. cent to 10% and the issue. At that level it yields 11.37 iced at a discount of 1 of a per cent. This mandate was won int from the indication of parevent the bond slumping five by the borrower was evidently into below its issue price on about per cent out of line with first day of trading flough the market.

recovered later in the week Prices of seasoned straight close on Friday at 96 1.

dollar issues firmed up at the

The coupon on the Republic el issue was boosted by 1 of apan liced at a very low 97%. point to 111 and the bond

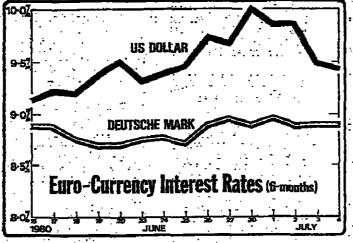
nce day celebrations all writers were not asked to take ok their toll last Friday. The up the full amount of paper they

was priced at a more realistic

s still did not do much to what Westdeutsche Landesbank of the price of the bonds in would do with its City of Montreal issue: by Tuesday the 101 per cent bond to 1987 was trad-ing at a discount of 6-6; points re among the more notable in the grey market. By Friday sualties: the amount of the this discount from an indicated

as a result of fierce competitive ese valiant efforts did not bidding and the coupon obtained

> dollar issues firmed up at the end of the week: the easing of credit controls in the U.S. announced on Thursday had a beneficial effect both in the sultry, more interest was shown away with the minimum coupon morgen Corporation.



activity remained thin.

markets. Interest rates eased at issues. Nordic Bank was thus paper. the end of the week but trading: able to increase the FRN it was arranging for Svenska Handels-As is often the case when the banken by \$5m to \$35m while fixed interest rates sector is Bank of Tokyo (Curação) did

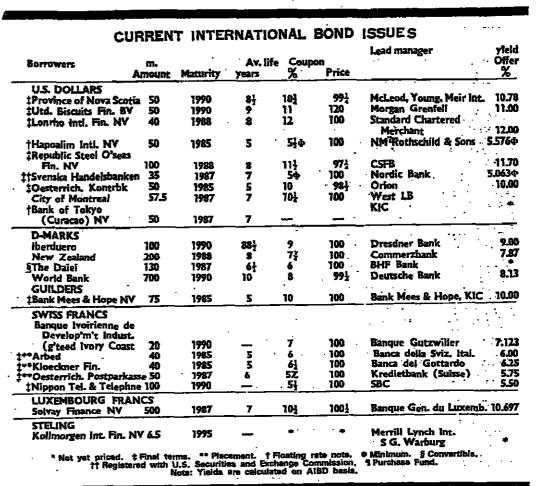
of FRN notes it is offering Kuwait Investment

The Deutsche Mark sector was in much better shape: more than DM lbn worth of new offerings were announced, which is somethting of a record. The DM 200m issue for New Zealand was quite well received despite offering the lowest coupon since last January, 77 per cent. On Thursday, the DM 700m for the World Bank, DM 200m of which is being placed directly by Deutsche Bank, met with a friendly re ception, a fact attributable according to most dealers to the realistic coupon of 8 per cent. The Issue for Fberduero however met with a cool response and its coupon was increased by

i per cent to 9 per cent.

Prices of seasoned issues
eased by about i a point during the week. Investors concentrated their attention on new issues and there is every sign of a steady flow of funds coming New York and the Eurobond by investors in buying FRN into Germany to acquire such

> A rare financial instrument made its appearance last week, into U.S. dollar shares for Koll-



REDITS

BY PETER MONTAGNON

price given by lead manager Friday July 4.

An electric success for Brazil

LAZIL'S NEW policy of pay- had been raised from the agent thus bears at least tem- go in meeting the conditions set porarily the stamp of the bench- by the banks. medicm-term international est fin acing, for the electric li'y, Eletrobres, has been sed to at least \$400m from original target of \$300m. o previous credits, for the

concern, Petrobras, and the velopment bank, BNDE, ich met with a very hesitant ponse from the market. Both: ns:--were at substantially ver margins than the flat 13 cent over eight wars which strobras offers.

They were followed by a re successful credit for the ipu hydroelectric project, of ich a \$100m, 10-year tranche s syndicated at a margin of First an per cent by Swiss Bank Corration. By the time it was term. The Eletrobras deal for ned last week about \$75m which Morgan Guaranty is

The Eletrobras deal, which

pays a full 1 per cent mere in terms of spread, attracted even greater interest. By last Friday a total of \$113m had been raised. This already assumes a This is in stark contrast to cutback in the lead managers' commitments to \$20m apiece from \$40m originally and in the managers' commitments to \$8m

Still undecided last week was the question of whether to take the full amount from the market or to use the extra \$13m to scale down even further the lead managers' commitments.

After such a conspicuous success it is unlikely that banks will be able to negotiate even higher spreads on Brazilian state borrowings in the short

Elsewhere, the meeting on July 3 of banks involved in the mooted jumbo loan to Poland resulted in a broad consensus. that the sharting off amount for such a credit could be only around \$300m. One major bank has already turned the credit down flat while a number of others still await approvals from their credit committees.

- The Poles have been seeking seven-year money at a spread of 11 per cent, but the banks-are likely to hold out for a higher margin when negotia-tions with Bank Handlowy resume. This could be as early as this week, but the speed with which the operation can be com-pleted will depend very much on

As already reported. Poland is now in the crucial stages of negotiations for a DM 1bn credit from German banks under the leadership of Dresdner Bank.

Overall, activity in the market was fairly flat last week, possibly reflecting the approaching holiday season. A number of important deals are in the pipe-line, however. They include a \$100m credit for the Philippines, a \$250m credit for Taipower of Taiwan and a \$120m credit for Public Power Corporation of Greece.

Bankers believe that the terms for the latter may be even finer than those obtained by the country's central bank in April for a \$550m, eight-year credit at how far Poland is prepared to a flat margin of a per cent.

U.S. BONDS

BY DAVID LASCELLES

Fed credit move gives a boost

THE DECISION by the Federal was left of its last package. But Reserve Board to phase out the remains of its credit controls gave the market a much needed the coming weeks still had a boost at the end of last week. sizeable impact: bond prices. But the future course of interest rates will depend largely on the outcome of this Wednesday's meeting of the Federal Open Market Committee.

The sharoness of the recession and the speed of the decline in interest rates since April had made it only a matter of time before the Fed abolished what

U.S. INTEREST		
	Week to	Week to
	July 3	-June 27
3-mnth Treas, bills	7.82	7.77
3-mnth Cert, of dep.	8.60	8.60
Fed funds weekly		
average	9.57	8,93
Trees. 30-yr bonds	10.20	9.87
AAA utility ,		11.00
AA industrial		10.50
Source: Salomon B	rothers e	stimates

the announcement on Thursday that they will be phased out over which had been overwhelmed by a record volume of corporate issues, recovered some of their recent losses, and short-term rates also came down a bit for the first time in three weeks.

Specifically, the Fed will phase out all special reserve requirements, including those

Merrill Lynch International & Co.

Morgan Stanley International

Sanwa Bank (Underwriters)

Strauss, Turnbull & Co.

Nordfinanz-Bank Zuerich

Union de Banques Arabes et Françaises-U.B.A.F. Vereins-und Westbank

Marine Midland

Postipankki

Morgan Guaranty Ltd

Nomura Europe N.V.

Salomon Brothers International

Société Générale de Banque S.A.

introduced last November in the first credit package, and lists curbs on credit growth (though the Fed stressed it will keep an eye on lending for speculative purposes). Altogether, this should free up more credit and boost consumer

months the market is free of emergency controls. All that now remains is for the Fed to However, the FOMC will still

have some tricky tactical decisions to make on Wednesday. The growth in the money supply has picked up a bit recently (though last week's figures were delayed because of the July 4 holiday, so the picture is not as up to date as it might be). And this might make the committee more cautious about endorsing lower short-term rates, even though the economic decline would warrant it. Because of this the markets expect little or no change in the Fed funds rate this week,

in store for the credit market now remains is for the Fed to this week. Apart from the bring down the discount rate FOMC, there is the money from 11 per cent, something supply report today, the latest that could happen quite soon. consumer credit figures either consumer credit figures either today or tomorrow (these show a very drop), June wholesale price index tomorrow (should also be down, but will rock the markets if it is not) and June retail sales (also down?)

The heavy borrowing calendar also continues. Dow Chemical will offer \$400m of 30-year bonds in a huge issue that was post-poned last week because of the weakness of the market. Caterpillar Tractor plans to sell \$300m of 30-year bonds, and Marathon Oil \$150m of notes due in 1987. In a new Bell issue, New York Telephone is slated for \$450m of debentures due in

Samuel Montagu & Co.

Nippon European Bank S.A.

The Royal Bank of Scotland

Svenska Handelshanken

Pierson, Heldring & Pierson N.V.

Schröder, Münchmeyer, Hengst & Co.

Smith Barney, Harris Upham & Co.

Mitsubishi Bank (Europe) S.A.

Orion Bank Limited

The Nikko Securities Co., (Europe) Ltd.

Scandinavian Bank

Skandinaviska Enskilda Banken

Rothschild Bank AG

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BONDTRADE INDEX AND YIELD July 4 ... 92.81 9.83 82.96 10.83 June 27 ... 93.34 9.71 83.95 10.63 High '80... 93.58 (18/6) 89,19 (2/1) Low '80 ... 86,32 (2/4) 71.54 (29/2) EUROBOND TURNOVER Cadel Eur

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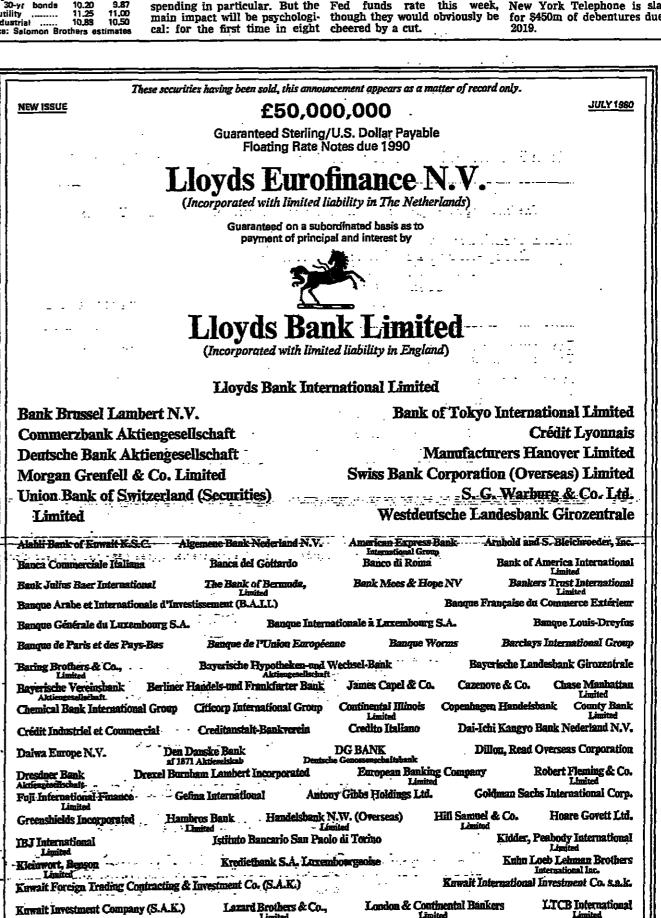
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Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Internationale Luxembourg; Algemene Bank Nederland NV Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Bondtrade; Credit Commercial de France (Secs.) London; Citicorp Inter-national Bank; Daiwa Europe NV: Deltec Trading Company; Dillon, Read Overseas Corpora-tion: EBC: First Chicago: Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International: Nesbitt Thomson; Orion Bank; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Strauss Turnbull and Co.: Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy....

Closing prices on July 4



Financial Times Tuesday July 1 1980

WORLD STOCK MARKETS

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MIDLAND BANK LIMITED

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and The Stock Exchange

HERBERT SMITH & CO.

Auditors to the Compan

NEVILLE RUSSELL & CO.

30 Artillery Lane, Bishopsgate,

PRICE WATERHOUSE & CO.

London, EC4M 5SD

Chartered Accountant

Recording Accountants

32 London Bridge Street,

Chartered Accountant

London SE1 9SY

89 Buckingham Palace Road,

HALLIDAY, SIMPSON & CO. P.O. Box 412, 98 King Street, Manchester M60 2HA

& CO., LIMITED 37 Queen Street, London EC4R 18Y

Watting House, 35/37 Cannon Street.

(registered in England No. 214308)

GERALD JOHN WARD (Chairman) Suckingham Place, London SW1E 6HX "PAUL NATHANIEL TEMPLE 1800 North Kent Street, Suite 900.
Plaza East Building, Rosslyn,
Virginia 22209, USA
FREDERICK ALEY ALLAN New York, New York 10022, USA GRAHAM FERGUSON LACEY Suckingham Place, London SW1E6HX ROBERT CECIL McBRIDE Suckingham Place, London SWIE 6HX IES EDWARD MOSLEY MAYNE, M.A.

18, North Street, Melton Mow Leicestershire LETS TNL "U.S. Chizan Secretary and Registered Office IES EDWARD MOSLEY MAYNE, M.A. 18, North Street, Melton Molificia Leicestershire LE13 INL Registrars and Transfer Office LLOYDS BANK LIMITED Registrar's Department e Causeway, Goring-by-Sea, Worthing, West Sussex BN12 6DA

on with regard to Energy Capital Limited ("the Company"). It does not o are no other metabli facts the antission of which would make misleading any statement becap whether of fact or of ern lie ni etempoe bras euri sue nier

Application has been made to the Council of The Stock Exchange for the Ordinary Shares of the Conspany now in issue and to be issued to be admisted to the Official List. All references in this stocument to "5" are to United States dollars and, unless otherwise stated, a rate of exchange of £1 : 62.3 has been used throughout.

ENERGY CAPITAL LIMIT

(formerly Hamilborne Limited) SHARE CAPITAL

Authorised Issued and now proposed to be issued fully paid

£1,000,000 in Ordinary Shares of 121/2p each £874,725

BORROWINGS

At the close of business on 25th June, 1980 the Company and its subsidiaries had outstanding borrowings aggregating £8,537 all of which was secured.

Save as aforesid and apart from the inter-company liabilities, neither the Company nor any of its subsidiaries had outstanding on that date any loan capital in issue or created but unissued, any borrowings or indebtedness in the nature of borrowing, including bank overdrafts, liabilities under acceptances (other than normal trade and the company of . billel or acceptance credits, mortgages, charges, hire purchase commitments, or guarantees or other material contingent liabilities

Placing by Halliday, Simpson & Co. of 1,050,000 Ordinary Shares of 12½p each of the Company at a price of 37%p per Ordinary Share

RODUCTION

On 9th June, 1980 the Company entered into agreements as follows:—

- (a) to purchase from Allan Capital Corporation ("ACC") that company's entire interest in the Bison Basin uranium project in Wyoming, USA for \$2m, to be satisfied by the issue to ACC of 2,500,000 new Ordinary Shares of 12½ peach of the Company, credited as fully paid (the issued capital of ACC is owned by Energy Capital Limited (which company will upon completion change its name to Overseas Capital Limited and which is hereafter referred to as Overseas Capital Limited) the shares of which are owned as to 61 per cent, by Paul N. Temple ("Mr. Temple") and as to 39 per cent, by F. Aley Allan ("Mr.
- (b) to purchase from Mr. Temple certain oil and gas production and exploration interests in the United States for \$1.5m to be satisfied by the issue to Mr.
- Temple of 1,350,000 new Ordinary Shares of 12½p each of the Company, credited as fully paid, and the payment to him of \$420,000 in cash; (c) to issue to Overseas Capital Limited, ACC's parent company, 12,500 new Ordinary Shares of 12½ p each of the Company for a cash subscription of
- to sell the entire issued share capital of Hammill Brick Eastry Limited ("Hammill Brick") to Islandmore Quarry Limited, a company controlled by Mr. G. Ferguson Lacey and Mr. R. C. McBride, for a consideration of £115,000 in cash, payable as to £75,000 upon completion and two payments of £20,000 each to be paid on the first and second anniversary of completion.

In addition, agreements were entered into for the placing by Halliday, Simpson & Co. of 1,050,000 of the new Ordinary Shares of the Company issued to Mr. ement price of 37p (plus brokess commission of 4p), and the transfer by Mr. Temple to Birmingham and Midland Counties Trust, Limited ACT") of 300,000 Ordinary Shares of the Company (being the balance of the new Ordinary Shares issued to him in respect of the oil and gas interests after the ng) at a price of 37p per Ordinary Share. The new Ordinary Shares issued in respect of these transactions rank puri passu in all respects with the existing Ordinary es save that they are not entitled to receive the final dividend payable in respect of the year ended 31st December, 1979.

These agreements (other than that relating to the placing of 1,050,000 Ordinary Shares) were conditional, interatia, upon the approval of shareholders and that oval was given at an Extraordinary General Meeting of the Company held on 3rd July, 1980. At that Meeting a special resolution was passed authorising the ge of name of the Company from Hamilborne Limited to Energy Capital Limited.

In view of the nature of the transactions, the Company requested that The Stock Exchange suspend the listing for its Ordinary Shares and this suspension took Tas from 9.30 a.m. on 11th March, 1980. The agreements are now conditional, inter dia, upon the admission to the Official List by the Council of The Stock range of the Ordinary Shares of the Company both issued and to be issued pursuant to certain of the agreements. Subject to listing, dealings are expected to

This document has been prepared on the hasis that the agreements referred to above have been completed in all respects and the change of name of the many to Energy Capital Limited effected. TORY AND BUSINESS

The Company was incorporated on 12th June, 1926 as The Hammill Brick Company, Limited to own and operate a brickworks in Kent. Its name was changed one Limited on 11th December, 1974. Hammill Brick, the wholfy-owned subsidiary which owned the brickworks, has now been sold.

It April 1978, as a result of a general offer to shareholders, BMCT acquired a controlling shareholding in the Company and Mr. Ferguson Lacey and Mr. tride, who together control BMCT, joined the board of directors. During the last 18 months a number of possible acquisition opportunities for the Company have considered, culminating in the arrangements with Mr. Temple and Mr. Allan for the purchase of energy interests in the United States. The Directors of the spany are of the view that participation in the energy sector represents a sound investment and that the Company has acquired not only a portfolio of attractive sy-related assets but also the basis and expertise for expansion within this sector in the future. The combination of increased market prices for oil and gas and the em over supply in certain parts of the world has resulted in many of the smaller fields becoming economically viable. This is particularly true in the United States it enables a company of this size to participate in the development of these fields. It is in this area that the Company will be closely involved.

The Company has established two subsidiary companies in the State of Delaware in the USA, Energy Capital Inc. ("ECP"), which holds the Company's est in the Bison Basin uranium project, and Energy Capital Resources Inc. ("ECRI") which owns the Company's oil and gas interests. In addition the Company oses to form a wholly-owned subsidiary in the Netherlands which will own the entire issued share capital of ECRI.

The energy interests which have been acquired by the Company represent the greater part of the business which Mr. Temple has established over the last five s. A description of these interests is set out below.

ECI has acquired all right, title and interest owned by ACC in the Bison Basin uranium project. Bison Basin is a site of uranium bearing land in the State of ming extending to approximately 11,000 acres. The rights to extract the manium from the site were acquired approximately three and a half years ago by a sortium headed by Ogle Petroleum Inc., ("Ogle") who are geological and petroleum consultants based in Santa Barbara, California. The exploration and testing te site were undertaken by Ogie who took the view soon after confirming the presence of ore reserves on the property that an in-situ solution mining process, using nm bicarbonate, would be the best method of extraction.

By mid-1978 Ogle had established that the Bison Basin site contained reserves of at least one million pounds of manium, and at that time a one-half interest in a ng these proven reserves was sold to Western Fuel, Inc., a subsidiary of Duke Power Company. Duke Power is a substantial investor-owned electric utility company operating coal and nuclear power plants in the south eastern part of the United States. Western Fuel was also granted the right to earn a half interest in the balance of the Bison Basin acreage by carrying out, in several phases, a \$1.2 million drilling programme. Western Fuel has carned a 33 per cent. test in the remaining acreage and is expected to earn its full 50 per cent. interest by conducting additional drilling during the course of this year.

Arnex Corporation, an independent mining contractor based in Colorado, which has carried out the drilling programme on behalf of Western Fuel, has nated that the Bison Rasin Initial Production Area and West Alkali Creek Exploration Area co droved teserves of a public and inferred reserves bring total reserves to 3.2m pounds of calculated in-place uranium. In the feasibility studies which they have adopted in connection with Bison Basin project both Ogle and Western Fuel have used an estimate of 5m pounds of recoverable reserves based on an extraction rate of 85 per cent. and a wery rate of 95 per cent. Armex Corporation has expressed the opinion to the Company that for the coming exploration drilling will delineate this figure of 5m pounds ecoverable reserves and that the total acreage has the potential for a substantially greater figure.

The Bison Basin uranium sandstone ore body is particularly suitable for solution mining because of favourable minerology, permeability and hydrologic ditions. While it is impossible to forecast precisely the rate of extraction, it has been the experience of the operators that in ore bothes in similar geological positions Tyunning over 90 per cent, of estimated reserves has been extracted. This level is possible because the leaching solution runs into one grades of a quality insufficient to aken into account in the calculation of reserves, thus increasing the actual percentage extraction rate. A pilot production operation was commenced in May 1979 completed in July 1979. The results of the pilot operation were that of the 2,025 pounds which were extracted, 1,980 pounds of uranium were recovered and the ance of 45 pounds was collected in the waste evaporation pond, representing a recovery rate of 97.78 per cent. Ogle, which acts as operator for the project, believes the pilot operation demonstrated that the crebody can be successfully mined by the in-situ solution method.

Under the terms of the agreement between Ogle and Western Fuel, Western Fuel is obliged to spend up to \$3.2m for the capital costs and expenses to establish cessary plant and commence commercial production. Ogle's present estimates are that the participants in the consortium will not be called upon for additional tributions to the cost of the commercial production facilities. Construction of the plant is proceeding and initial commercial production is planned to commence in y of this year. The plant when completed will be capable of processing the 5m pounds of uranium and in a full year production is expected to average 375,000 inds; this level should be achieved by the end of the first quarter of 1982. The market price during the first months of this year has varied between \$32 and \$43 per and and, although no long term sales contracts have been entered into, no difficulty is anticipated in selling the total annual production at the market price from time

ECT's interests in the Bison Basin project comprise both a working and royalty interest. The working interest is at present a 3.837 per cent. interest but this will enduced to 2.878 per cent. once ECI has received income from its working and royalty interests in the project equal to the funds invested by ACC in developing the ject (to date approximately \$242,000) and acquiring the royalty interest (\$105,000). ECI's royalty interest constitutes a 7.674 per cent, interest in a 15 per cent, triding royalty on production revenues from the Bison Basin and this will also reduce—to a 5.756 per cent, interest—at the same time that the working interest is need. Fuller descriptions of the interests are given in Appendix I.

There is also set out in Appendix I a copy of a report received from Amex Corporation regarding the estimated reserves of the Bison Basin acreage and a copy of port received from Mountain States Mineral Enterprises Inc., valuing the interests which ECI has acquired in the project at \$2.5m. Mountain States considered the ject applying a number of different assumptions and those upon which their valuation is based were recommended by them as being fair and reasonable. In amary the valuation is based on the total cash flow anticipated over the 16 year life of the project assuming total reserves of 5m pounds of uranium, escalation of is price and operating costs of 10 per cent. per annum and a discount factor of 10 per cent. per annum

In addition to the above interests, Ogle has acquired the mineral rights in approximately 3,000 acres adjoining the above area for \$25,000. As a result of its sement with ACC, ECI has agreed to take a 3.837 per cent, interest in such additional acreage at a cost of approximately \$1,000.

The sal and gas production assets which PCRI has acquired comprise interests in 25 producing properties situated in Ohio, Oklahoma and Texas. These are

nmarised as follows: Description Washington County, Ohio Interests in 4 leases in 3 fields, nderman Oil and Gas Drilling oil and gas production Interests in 7 leases in 6 fields, Pittsburgh County, Oldahoma pron Exploration gas production rests in 8 leases in 6 fields, Archer County, Texas renry Exploration Co. Callahan County, Texas oil and gas production Nolan County, Texas Taylor County, Texas Interest in I lease in I field, Dewitt County, Texas rardian Oil Co. Interest in 5 leases in 3 fields, Zapana County, Texas ami Oil Production Inc. oil and gas production

The total estimated reserves of the oil and gas producing leases attributed to the interests owned by ECRI amount to approximately 31,000 barrels of oil and im, cubic feet of gas. These interests represent oil and gas wells in varying stages of manufity as some wells are building up to, or have reached, full production whilst ters are approaching depletion. Further details of the properties are set out in Appendix II.

The table included in the report by Price Waterhouse & Co. set out in Appendix III summarises the receipts and payments in each of the five years ended 31st cember, 1979, in respect of the oil and gas interests. For the year ended 31st December, 1979 proceeds from sales of oil and gas amounted to approximately £97,600 d after payment of expenses directly related to these interests and after payments to maintain the non-producing interests referred in the next paragraph, net receipts

The exploration assets consist of interests in 53 non-producing properties, including exploration for carbon dioxide in New Mexico and for oil and gas in dahoma, Texas, Montana, Utah and Wyoming. The interests in these leases do not carry any commitment for exploration expenditure and the total annual remail yable to maintain the interests is approximately \$20,000 per annum.

There is set out in Appendix II a copy of a report received from Cawley, Gillespie & Associates Inc., regarding the estimated reserves and their valuation of the and gas interests. Since completion of the arrangements with Mr. Temple, three of the non-producing interests, comprising 1,987 acres in Sweetwater County and 180 acres in Subjecte County in Wyoming, have been disposed of, realising a total of \$81,899 as compared with the valuation of \$70,300 included in the report of rwley, Gillespie & Associates Inc.

ANAGEMENT

Mr. G. J. Ward (42 years old) has been a director of the Company since March 1979 and was appointed Chairman following completion of the acquisition of the

Mr. Temple (57 years old) has, as chief executive of the Company, overall responsibility for the management and exploitation of the existing portfolio of crests and for the identification of new investment opportunities within the energy sector in the United States. Mr. Temple obtained a degree in law from Harvard. niversity in 1948 and is a member of the Bars of California and the District of Columbia. Mr. Temple's career in the oil industry began with Standard Oil of New new (now Exam Corporation) and subsequently as President of Esso Affiliates in Spain. From 1965 to 1969 he was Executive Vice-President of Gas Natural S.A. in usey (now passed on 1970 to 1975 he was President (and co-founder) of Weeks Petroleum Limited. Since 1976 Mr. Temple has identified and developed the energy recions and from 1970 to 1975 he was President (and co-founder) of Weeks Petroleum Limited.

Mr. Allan (58 years old) has particular responsibility for the development of the interest in the Bison Basin project. Mr. Allan obtained a degree in law from Yale run raped to your start of the Bars of the State of New York and the District of Columbia, and has served as Law Secretary to judges of the US Circuit Court of a member of the Bars of the State of New York and the District of Columbia, and has served as Law Secretary to judges of the US Circuit Court of wantsy, as a unusual Court. He has held positions as General Counsel to the Office of the US Special Representative to N.A.T.O., to the Atomic Industrial Forum, d to Mobil Oil (Europe). Prior to joining Mr. Temple to establish ACC, he was senior Vice-President of New Court Securities Corporation, and was a founder and

director of New Court Private Equity Fund. Mr. Allan is a director of UNC Resources Inc. a leading independent nuclear con independent petroleum exploration and production company, as well as several other energy and investment companies.

Mr. G. Ferguson Lacey (31 years old) and Mr. R. C. McBride (76 years old) are non-executive directors. They together control BMCF which is a private investment company with interests in a wide range of activities including the energy and allied sectors.

Mr. J. E. M. Mayne (35 years old), who is also the Company Secretary, first became a Director of Hamilborne in 1974 and is responsible for the UK aspects of ation and accounting functions for the group parent company.

Staff and Offices

ECRI has established an office in Rosslyn, Virginia and this acts as the headquarters for the group's US operations. Mr. Temple is supported at this office by a accounting and secretarial staff.

The Company also maintains a small office in England which provides financial advice to the group and deals with the accounting and administration of the

Mineral Consultant

The Company has entered into arrangements with Harris Energy Corporation ("Harris") of Denver, Colorado for the provision of technical services.

The executive directors of Harris include Dr. R. W. Harris who is Professor Emeritus of Geology at the University of Oklahoma and Mr. D. P. Mettler who holds a degree of geology from the University of Kansas and who has been involved in oil and gas exploration in the US for a number of years. Under these ngements the services of Dr. Harris, Mr. Mettler or other technical personnel either employed or retained by Harris will be made available to the Company for the provision of technical advice on specific projects as requested by the Company, at fees to be agreed on a project-by-project basis.

The Company and Mr. Temple each own approximately 10 per cent. of the issued share capital of Harris of which Mr. Temple is Chairman and Mr. G. Ferguson

FUTURE PROSPECTS

The interests which have been acquired form a base from which the Company can develop within the energy sector. The Bison Basin project is about to enter commercial production and the oil and gas leases represent a reasonable spread of interests in a number of different locations and at different stages of development. It is the intention of the Directors that the Company's participation in the Bison Basin project should not be a short term one. It is intended that ECI should

obtain the benefit of the cash flow as the project comes into full production, and also benefit from any increase in reserves over and above the figure of 5m pounds on which its acquisition has been based.

The oil and gas production assets will continue to be exploited so that full utilisation is made of the estimated reserves. There is no present intention to dispose of the interest in any of the wells which are currently in production, although any offer received in the future would be considered on its merits.

The exploration acreage provides potential for growth in several developing oil and gas plays in various sedimentary basins. The Company intends, however limit its own drilling expenditure and, where appropriate, development will be achieved by farm-out arrangements under which a third party will earn a share in the acreage by undertaking the cost of drilling.

In addition to the interests which have been acquired, the Company expects to be in a position to participate in other energy opportunities. The extensive experience of Mr. Temple in the oil and gas industry and of Mr. Allan in the uranium sector provides shareholders with a board competent to identify opportunities similar to those which have been acquired. Such opportunities are expected to relate to new exploration areas requiring little initial capital investment. The Company's method of operation will be to take participations in existing syndicates for the exploitation of a particular resource or to be instrumental in the organisation of new syndicates in which it will participate.

FINANCIAL INFORMATION

The Company does not expect to generate substantial surplus income and cash flow will be employed in the development of the energy interests. Accordingly only minimum dividends will be paid in years when revenue surpluses justify such a payment. The objective of the Directors will be to achieve asset growth and this they anticipate will come about by an increase in value of the reserves acquired, by the proving up of additional reserves in the Bison Basin and on the exploration acreage, and by the ability to participate in other energy investment opportunities as they arise. As an example, since the negotiations with Mr. Temple commenced, a gas discovery has been made by Supron Exploration in the Kiowa Northwest (Atoka) Field with an estimated flow rate of 1.7m. cubic feet of gas per day.

The audited net assets of the Company at 31st December, 1979 are summarised below together with a pro forma statement of net assets on completion of the acquisition of the uranium and oil and gas interests and disposal of Hammill Brick based on the net assets at 31st December, 1979. The Company at

	31st December, 1979	31st December, 197 adjusted for subsequer transaction	
	£000	· £'000	
INVESTMENT IN ENERGY PROPERTIES OTHER INVESTMENTS		1,714	
Listed	224	·	
Unlisted	. 71	152	
	295	1,866	
LONG TERM RECEIVABLE		40	
CURRENT ASSETS			
Investment in Subsidiary less provision	130		
Debtors Bank balances	5 265	5 71	
Sank Dalances		· · · //	
	400	76	
CURRENT LIABILITIES			
Creditors	23	. 17	
Texation	27	27	
Proposed dividend	14	. 14	
	64	58	
NET CURRENT ASSETS	336	18	
	631	1,924	
Represented by:	 		
SHARE CAPITAL	_ 392	875	
SHARE PREMIUM ACCOUNT	: 164	991	
RESERVES	<u></u> <u></u>	. 58	
	631	1,924	
NET ASSETS PER ORDINARY SHARE	20.1 _p	. 27,5p	

Accounting Policies The principal accounting policies adopted in the preparation of the accounts at 31st December, 1979 are set out below:—

The accounts are prepared on the historical cost convention. Accounting treatment of subsidiary

The net assets of the subsidiary, Hammill Brick, have been included at the amount to be received from the disposal including the dividend receivable.

Investments are stated at cost or at market value if that is lower and the diminution in value is considered to be pennanent.

Deferred taxation is provided on the liability method at the year-end rate of tax on all significant timing differences only in so far as the Directors consider that the taxation deferred will be payable in the foreseeable future.

The principal accounting policies used in preparing the pro forms balance sheet are those used by the group in preparing its accounts at 31st December, 1979 and the following additional policies have been adopted. (a) Investments in energy producing properties will be amortised on an individual property basis using the unit of production method. The unit of production

method involves the amortising of the cost of the investment by reference to the amount extracted in any year compared to the total estin Investments in non-producing properties will be initially capitalised. Subsequently these costs will be:-

(i) Amortised as producing properties when they become productive; or (ii) Charged as an expense when it is determined the property will not be productive.

(c) Profits or losses on disposal of individual properties will be included in the profit before taxation of each year.

Transactions reflected in the Pro Forma Balance Sheet

In preparing the pro-forms balance sheet, no account has been taken of any movement in net assets since the date of the last andited accounts of the Company except for adjustments to reflect the following:-

Disposal of the entire issued share capital of Hammill Brick and receipt of £75,000 forming part of the sale consideration and receipt of a dividend of £25,000 after deducting repayment of the balance on current account of £10,000. The remaining balance of £40,000 has been shown as a long term receivable falling due in equal instalments on the first and second anniversary of completion.

(b) Acquisition of manium interests for the issue of 2,500,000 new Ordinary Shares of 12½p each at an assumed value of 37p per share. (c) Acquisition of oil and gas interests for a cash payment of \$420,000 (£183,000 converted at the rate of \$2,3 to £) and the issue of 1,350,000 new Ordinary

The disposal of the entire portfolio of listed investments. The unlisted investments of £152,000 consist of a holding of 2,500,000 shares of Harris Energy

Shares of 121/2p each at an assumed value of 37p per share. (d) Issue for cash of 12,500 new Ordinary Shares of 12½p at an assumed value of 37p per share.

Corporation (£64,000) and a holding of 800,000 shares of U.S. Syncrude Inc. (£88,000). Expenses of the transactions estimated at £226,000. Of this amount, £107,000 has been capitalised as part of the investment in energy properties and

£119,000 has been charged against Share Premium Account. A future disposal by ECI of all or part of its interest in the Bison Basin uranium project is likely to give rise to a liability to United States taxation. Any liability to United States taxation would be calculated on the basis of the excess of the sale proceeds over the inherited tax base which is less than the proposed acquisition cost. The maximum extra liability which could arise by virtue of this tax base being lower than actual cost is estimated at approxi-

PRO FORMA CASH FLOW PROJECTION

mately £220,000.

Set out below is an indication of possible cash flows for the three years ending 31st December, 1982 after taking into account the transactions reflected in the pro forms balance sheet above. These have been prepared for illustrative purposes and do not in any way represent forecasts of profits. The projection should be read in conjunction with the principal assumptions on which it is based and which are set out below. Owing to the nature of the off and gas and uranium industries, dive from the assumptions listed below are likely to have a material effect on the projection. In particular the projection does not reflect the result of possible further

Principal Assumptions

For the purpose of completing the figures it has been assumed that the oil and gas and uranium interests were acquired on 1st January, 1980.

It is assumed that the activity of the group will be to hold the investments in the oil and gas interests and to bring the Bison Basin transform interest into operation. No attempt has been made to forecast the income and expenses of further investment in new or existing projects. With the exception of \$15,000 drilling costs to be incurred in respect of one well, there are no commitments to invest in new or existing properties.

Oil and gas income and expenses are the same as those projected in an appraisal prepared by Cawley, Gillespie & Associates Inc.

Uranium income and expenses are based on those provided by the project operator, Ogle Petroleum inc. The following levels of production of uranium from the project have been assumed:-33,400 pounds 1980 187,500 pounds 1981

375,000 pounds Following the enactment of the Crude Oil Windfall Profit Tax Act of 1980 in the United States it is estimated that the tax applicable to the current production levels would amount to approximately £5,000. The projection does not include the effect of this tax as all required information is not presently available.

An exchange rate of U.S. dollars 2.3 to £1 has been used over the three years being the approximate rate on 4th June; 1980.

There will be no future government legislation either in the United States or United Kingdom adversely affecting the group's operations. There will be no material change in the current rates or bases of direct or indirect taxation.

1982

Cash flows for the years to 31st December 1932 £000's £000's £000's Operating Receipts Oil and gas wells 118 138 130 131 24 264 Interest and dividends 35 Sale of three non-producing oil and gas leases 184 395 268 Operating Payments Operations of oil and gas wells 16 17 19 105 Operations of uranium project 58 69 75 7 Administration expenses Rental payments on oil and gas leases 100 159 204 191 84 109 **Net Operating Cash Inflow** Capital Receipts 20 20 Deferred proceeds of sale of Hammill Brick Capital Payments Further investment in oil and uranium properties Dividend

98 58 _ (98) 20 Net Capital Inflow (Outflow) (38)211 Total Net Cash Inflow (Outflow) (14) 71 57 Balance at bank per pro forma balance sheet 71 128 57 12B 339 Balance carried forward

Amortisation of the existing investments in energy properties which will be charged in the profit and loss account would be: -

Oil and gas wells 110 82, Uranium project 117 135 161

APPENDEX I URANIUM INTEREST

The working interest of ACC in the Bison Basin project initially comprised a one-such participating interest granted to it by Ogle pursuant to a letter of agreement dated lat February, 1977 and an agreement dated 28th March, 1977. These agreements provided, unter after that

(i) Ogle would operate the project and receive income derived from ACCs interest therein on behalf of ACC, (ii) ACC would contribute one-sixth of the custs and expenses of the project.

(m) ACC's interest would be reduced to one-eighth after it had recouped its aforesaid costs and ex-

Grade 0.02% or greater (Reserve Cutoff rate)

In June 1978 Ogle entered into a joint venture agreement with Western Fuel line, under which Western Fuel made certain payments and nodernook certain exploration and development obligations in exchanging a conscient in that area of the Hism Barin which is now being developed and a right to acquire up to one-half interest in the remaining area covered by certain mining claims held by Ogle.

As a result of this transaction and other transactions entered into by ACC, ACC's working interest comprised 7.674 per cent. of Ogic's interest in the joint venture agreet time that the income received by ACC from its working interest and royalty interest in the project equalled the monies expended by ACC in developing the project and act ment reducing to 5.756 per cent. at the ely. Ogle's interest in the area is re eed to 90 per cent. as a result of its agr area amounted to 3.837 per cent., reducing to 2.878 per cent. as above.

The interests of Ogle and Western Foel (and hence of ACC) in the Basin are subject to certain obligations assumed by Ogle when it acquired the ruleing rights to the area from Teton Exploration Drilling.

Company, Inc. 1"Teton") pursuant to an agreement between Ogle and Teton dated 1st February. 1977. In particular, the agreement reserved a 40 per cent, royalty in favour of Teton and imposed certain minimum working requirements on Ogle, failure to comply with which might lead to fer feiture of the munng rights. The working interest is also subject to its pro-rate share of an advance royalty of US \$25,000

The royalty interest is derived from part of the 40 per cent. Idem royalty referred to above. By times assignments made in June 1978, March 1979 and September 1979 respectively, Teton has transferred finee-quarters of its royalty interest to Western Ford and Ogle, with the result that Ogle now holds a 15 per cent. royalty interest.

ACC contributed part of the royalty purchase price paid by Ogle and Ogle holds on behalf of ECI a 7.674 per cent, interest in its 15 per cent, royalty interest. ECI's interest will perhaps to \$.775 per cent, agrice same time as the working interest is reduced. In the event of the minung rights being for fened, the royalty ceases to be payable.

There is set out below the text of a letter dated 3rd June, 1980 received by the directors of the Company from Arner Corporation, consulting geologists.

16 inversess Place East, Building B, Englewood, Colorado 20112, U.S.A.

3rd June, 1980.

contractors with an office at 16 Inventess Place East, Building B, Englewood, Colorado 80112. The firm employs geologists engaged in the appraisal of uranium properties and other

Hamilbone Limited

Arpex is a firm of and

eres in the area known as the OPF. Western Bison Basin Imital Production Area and West Alloli Creek Employation Area in the State of Inc., who lead the consentium to explore the reserves in the project area and to carry out an exploratory defiling programme to assess the essional Ocalifications

reserves for the project based on detailed drilling are throug in the table below. This table is designed to correct for the positive di

uent reserves which we have delineated by exploration drilling during the past two years in the West Alkali Creek Exploration Area. These reserves total 3,219,338 ds, probable reserves of 684,121 pounds and inferred reserves of 337,687 pounds. made up as to proven reserves of 2,187,530 pounds, probable reserves of 694,121 pound

Disequish than is a discrepancy in regard to inferred presence and grade of uranium from radiometric assay (eU¹O*) and direct measurement by o is writ carried out to provide definitive information regarding disequifibrium within a typical graphum roll from deposit in the project area and was ba-

Factor 1.237 Grade 0.01% or greater to less than 0.02% 0.773 0.589

These disequilibrium factors were averaged on the basis of both thickness and grade per cent. of the samples and this resulted in a diseq Since the conditions restorchanged contents which constitute the host rock are smiles throughout the lineal Production Area and West Allcali Creek Emioration Project Area is in restorable to account that the above

The majority of the estimated reserves are located within depths of 2001 o 400 feet and two miles of which will allow development of potential reserves from multiple horizons within the same well bore. In addition to the 3,219,338 pounds of manying reserves inducated in the table, exploration drilling during Phases 1 and 2 of the past two years have in the various beginning. To date development (dollars) now repleating property Phases 1 and 2 the winder approximately 200 000 pounds of redelineated approximately 31 miles, or 163,680 feet, of exochemical col-

mon to the 3,2175,200 potention to making trees substances in the consequence of the special production of the special pro Bered on drilling results to date, we are confident that additional drilling will definess the 5 million pound recoverable reserve figure which has been used for production feasibility studies.

Yours faithfully,

for Arnex Corporation, Arnold D. Cuminglam

an Basin Initial Production Aree Ora Body and West Alical: Creek Exploration Area IN PLACE URANIUM RESERVES

				Novembe	r—1979						
	Daptir Panga		Reserve Cussiff	Prove		Pobe) Infan		Total (L	
BISON BASIN INITIAL. PRODUCTION AREA	(Feet) 2007-400'	Grade Grade	0.13% 0.10	DEF=1.000 1,187,347	DSF=1.278 1,517, 42 9	<i>DEF=1.000</i> . 236,660	DEF = 1,278 302,451	OEF=1.000	06F=1.278 ~	DEF=1.000 1,424,007	DEF=1.278 1,819,881
.•	200'-400'	Grade GT	0.02% 0.05	1 <i>,234,77</i> 0 .	1,578,036	284,903	364,106	-	~	1,519,578	1.942,142
WEST ALKALI CREEK EXPLORATION AREA	200'-400'	Grade GT	0.03% - 0.70	414,581	529,835	239,022	305,483	56,101	71,697	709,714	907,014
	200'-405"	Grade GT	0,02% 0.05	437,464	E83,073	358,228	330,015	77,113	98,550	772,805	387,545
	400'-800"	Grade GT	0.03% 0.16	37,375	47,765	-		171,192	216,763	208,567	256,549
	400'-800"	Grade GT	0.02% 0.05	39,448	50,415	<u>·</u>	-	187,118	239,137	226,556	299,551
	TOTALS	Grade GT	6200.0 01.0	451,955	577,600	239,032	305,483	27,283	290,480	\$18,281	1,173,583
		Grada GT	· 0.02% 0.05	476,912	608,434	258,228	330,015	264,231	357,687	399,371	1,277,196
INITIAL PRODUCTION AREA AND WEST ALKALI CREEK	GRAND TOTALS	Grade GT	0.03% 0.10	1,639,303	2.035,029	475,692	607,934	227,293	290,480	2,342,258	2,593,444
EXPLORATION AREA		Grade GT	0.02% 0.05	1,711,622	. 2,187,530	543,131	694,121	264,231	337,687	2,519,044	3,219,338

There is not out below the text of a letter dated 3rd June, 1950 received by the directors of the Company from Mountain States Mineral Enjoypties Inc.,

Mountain Scares Mineral Enterprises Inc

sts in the Bhott Basin Utenians project attributable to Allan Capital Corpor

MSME was retained by the

risum exploiting the Bison. Basin site in 1979 to study the feasibility of extracting and recovering translator from the vice. MSME prepared two studies for the constru

1. Preliminary Engineering Study, Biogn Basist Milne Project In Situ Uranium, Facility.

2. Protected Analysis, Blanc Beels Miles Project, In Site Usualism Pacifity.

مكنامنالئجل

Financial Tunes Typesday July 1 1880 y 3 Our estimate of the present value (as at let lammay, 1980) of Allan Capital Conparation's (referred to as Emergy Capital in the financial as sention and the first of the construction's purchase of a further repetly interest in the project. The pro-

Our estimate of the value is approximately \$1,500,000. This estimate is entired at after considering the little years flow that will arise from the project and six ting these costs flows the following assumptions have been made:—

(a) Production will commence during the number of 1980.

The similal exhibation rate will be 100 gallous per minute (GPM) increasing to 1,200 GPM by April 1882. Thereafing extraction will be at the rate of 1,200 GPM through

Capital costs will be in line with extinuous proposed from publicatory explanating study where each item of equipment was identified, sized and proced.

Selling price of proxima will be initially \$40 per pound escalating at the rate of 10 per cent. per unitum.

Resemble cost would increase at the rate of 10 per cent, per autum. Future cash flows have been discounted to present day values at 10 per cent, per auto That the six will provide renoverable reserves of at least 5 relition pounds U¹O⁵ (uranium could) based on an extraction of 85 per cent, and a recovery of 95 per cent.

On the basis of the above assumptions we consider the estimate of \$2,500,000 of Alian Capital Corporation's content intenst to be responsible and conservative.

for Mountain States Mineral Enterprises Inc., Dr. Roshen, B. Bineppe,

Vice President, MSME.

espie & Associates, for, is & Fiens corporation with offices at 900 Fort Worth Club Building, Fort Worth, Texas 76102. The financonstate of p how many years experience in the pranticum industry and are engaged in field studies, lease extinations, reserve estimates and other com-

t our best judgment based on the information available to us at the time of preparation. It should be realised that reserve as actually recovered, the revegues therefrom, and the actual cost related thereto could be more or less than the estimat CR (Barrels) Net Reserves of Producing Properties 1,355 200

USA

and value of oil and gas repayes in producing leases

Yotel value of interest attributable to Mr. Paul N. Temple

ed 4.7 per cent, per month for tw

(d) As most of the producing propuna of \$45 per berrel. Livel ica, og bejær måre ettappten eglipt bet ettar bet kent pogra seified at "new", "stripper", or "topper ner". Courent "new" and "strip gib for twenty-two mounts and thereafter was exceleted eight per cent. !

est per year lo a a

events The Natural Gas Policy Act of 1978, teaming an annual inflation acts per MCE

Future operating costs were based on customic costs excitated depict pur cost, per year for five years (period of oil prime excitated with third parties knowle The values of timated for the non-moducing properties were based upon our experience and ou rations of factual data flamished by Mr. Temple and the Various

for Carriey, Giller

ın Oltand 12,007 6,554 72.5 Inhland (Cromwall) Field 337 Comm/NW/412-1 26.632 Ashbord S (Atolog) Field Casey NW/47-17 Kiowa Northwest (A HeESW/41 12.281 1,50 110,789 18.678 2015 33,973 Ennanga NW/41 Klown Morthwe Hall SW/41 5,789 279 Pechecak 1-S 118 8.155 1,304 Pachacek2 County r (Gardner) Field Ban, Leon Jackie Grimo (Gardner Sand) Field Antilley, Frank 1-A Jackie Grimm (Gardin 5238 11,787 1.007 1.377 1,815 Taylor County, Texas Antilley, Frank 1 252 16.752 sh Cales (Cook) Flaid Spanish Calc: (Ca Truitt, Cavis 1 10.2 2,052 Włas Holley (Maglerack 7450) Field Kolodziejszyk 1 9.5 12 8,335 32 311 68,426 54 3313 Www.Himmatt 1st) Field Lopez, Alonzo 2288 Schroeder, Charles 2224 8,747 123,239

Table 2. Non-Producine Properties 2.161 teral Oil and Gas Leas teral Oil and Gas Leas Federal Cil and Gan Leaves 2,491 2491 Federal Oil and Gan Lasses 1,342 1,342 Federal Of and Gas Leases Federal Oil and Gas Lesses Federal Oil and Gas Lesses Federal Oil and Gas Lesses Federal Oil and Gas Leave

ACCOUNTANT'S REPORT

The following is a copy of a report to the directors of the Company from Price Watering

The Directors. Hamiltonne Limited,

3. Our review of the information did not constitute an antit but we have ts and records of Allen Canits 4. The following is a summary of receipts and payments from the oil and gas interests during each of the five years ended 31st December, 1979.

Proceeds from sales of all and gas 216,254 31,577 228,270 65,096 18,472 30,415 118,829 ._ 67,881---(166,483) (127,181) 768.84¥:

78

Account has been taken only of those of Mr. Tenante's pers terests which it is proposed will be acquired by Flamilborne Limited.

n costs or for izvarion which might have been paid in respect of these off and gas hour

ests made by Allan Capital Corporation in respect of the Bison Basic washing project of

142,200

Renunciation date usually last day for dealing free of stamp duty. A figures 1: On greapeque, estimate. A Assumed dividend, and yield. U forecast ends cover based on pravious year's settings. Fulvidend and yield or present respectus or other chicial estimates for 1379. Q Groze. T figures assumed as allows for conversion of shares not now ranking for dividend or mekeling for restricted dividends. S Flacing price to gubilo, pt Pance unless otherwise sted. I issued by Ender. Foreigned to helders of ordinary shares as a last. A tassed by Ender. Foreignession. Et Belangdocad. T tassed in settlen with reorganisation, merger or taksover. [[] Introduction. I issued to repaid altoment jetters. With warrants. It thilated scontrity. It issued nits comprising 2 participating pref. shares and 1 ord. share at R3.50 per 1 Dealings under special rule.

RECENT ISSUES

EQUITIES

Te High Low	shown in the column headed "Announcement last year."
F.P. 20/6 90 74 Home Farm Prode lep 90 +2 62-5 +23 4.6 12	Date ment last Date mont last year
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ND - 20mm Brown Asthura & Madalau	Tergimon Ind/App. 3 First 3.6. Woodrowhily 31 class 3.5
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LOCAL AUTHORITY BOND TABLE

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TUTORY AND GENERAL INFORMATION

- (vi) on 11th July, 1980 25,000 shares of \$1 each and \$300,000 of 15 per cent. Joan stock of ECRI were based to the Company
- no starre or loan capital of the Company or any of its substitudes has been issued or is proposed to be issued fully or partly paid for cash or for a consideration other than cash; and
- (ii) no commissions, discounts, businessing on other special farms have been granted in connection with the issue or saie of any of the capital of the Compiny or any of its substitiaries. No share or loan critical of the Company or any of its subsidiaries is under option or has been agreed, conditionally or unconditionally, to be put under option.

 No issue of Ordinary Shares which would effectively alter the control of the Company will be made without grier approval of the Company in general meeting.

- release of Diverser also and vote in respect of any continue or arr Where proposals are toucher consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more Directors to offices or employments with the Company is interested, such proposition may be divided and considered in relation to each Director separately and in such case each of the Directors concerned (if not otherwise debarred from shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.
- No person shall be or become including of being appointed a Director by reason of hishering attained the age of 70 or any other age, nor shall any special notice be required in connection with the appoint

FORCES

The Directors may borrow or raise from time to time such sums of money as they think necessary for the purposes of the Company. The aggregate amount at any one time owing by the Company and all its subsidiaries, ny ("the Group") in respect of moneys begrowed by a (exclusive of moneys borrowed by any member of the Group from any other mamber) may not, without the previous searction of the Company in general meeting, end a sum equal to five times the there capital and consolidated reserves (as described in the Articles) of the Group. The Directors may mortgage or charge all by any of the undertaking or property of the Company (both seat and future) including uncalled capital, as security for the payment of any moneys borrowed or payable by the Company.

Disclosure of Interests

(a) The following are the interests of the Directors in the share capital of the Company appearing in the regimer maintained under the provisions of the Companies Act, 1967:—

Beneficial	S2,000
P. N. Zemple	S2,500
P. N. Zemple	S2,500
P. R. A. Allan	S2,500
P. C. McBelde	S2,500 anna da sa sa <u>an a</u>ra andres 🚈 😁

"The beneficial thresholding of Mr. R. N. Temple and Mr. F. A. Allan is the holding of 2,512,500 Ordinary Shares (representing 35.9 for cent. of the issued district company) held by ACC and its percent openium. Ordinary Shares Capital Lindjed, the latest company being controlled by Mr. Limple and Mr. Allan. Mr. Temple also has a beneficial shareholding of Mr. G. Ferguson Licey and Mr. R. C. McBidde is the holding of 1,950,000 Ordinary Shares (representing 27.9) per cent, of the issued share capital of the Company) held by BMCT, a company controlled by Mr. Fergiston Lacey and Mr. McBride.

The beneficial shareholding of Mr.S. Fergation Lacey and Mr. K. C. Microson's transparent of 1,500,000 (running sample properties). Fergation Lacey and Mr. McBride.

(b) It is underground that it is proposed it in Signiciate ACC and Overseas Capital Libratist (rugadher referred to as "Overseas Capital Group") during the next few months so that the Ordinary Shazes of the Campany ish will be the principal seast of the gridin; this bedivided between Mr. Remple and Mr. Allian shall field by them directly. Mr. Temple and Mr. Allian have agreed that for a period of twelve months following makine in the Mr. Allian shall directly a sequite during such period of twelve months following sets up to 25 per 1. of sinch Shares which he acquires during such period. In addition BMCT and Overseas Capital Group have undertaken to the Company not to sell or otherwise dispose of such Ordinary States in the Company held or paired by reason of the transactions described herein for a period of twelve months following completion save that Overseas Capital Group may dispose of such Shares to its shareholders in the course of the liquidation and the company of the transactions described herein for a period of twelve months following completion save that Overseas Capital Group may dispose of such Shares to its shareholders in the course of the liquidation and the course

- (d) Save as disclassed herein, as far as the Directors of the Company are aware, no person is beneficially interested in 5 per cent, or more of the share capital of the Company. (e) Save as disclosed battering no Director of the Company has any interest direct or indirect, in any asset which, during the period of two years prior to the date of this document, has been acquired or dispect to the Company of any of its subsidiaries, or is proposed to be so acquired, disposed of or leased, and no Director of the Company has a material interest in any contract or arrangement entered into by the roll as subsidiaries, which is significant in the basiness of the Company and its subsidiaries taken as a whole.
- (f) Save as disclosed beggin, there is no agreement, arrangement or understanding between Overseau Capital Group, Mr. Temple or Mr. Allan or any person acting in concert with them and sny of the Directors, recent capital concert with the Company in connection with or dependent upon the acquisition of energy interests safetted to beggin to begin acting in Company in connection with or dependent upon the acquisition of energy interests safetted to begin acting in Company in connection with or dependent upon the acquisition of energy interests safetted to begin acting in connection with them and sny of the Directors, recent

Service agreement agreement with the Company at salaries of \$20,000 per annum respectively for a term of three years and thereafter subject to three species of structuration by either party. These agreements do not require Mr. Hemple and Mr. Allan to provide their services on an exclusive basis and do not prevent them carrying on a similar business to dust of the use facilities of the company of the services of the carrying on a similar business to dust of the use facilities of the company of any of its subject to the carrying on a similar business to dust of the

sing for third Own section.

Save as aforesaid, no Director has now is it proposed that any Director shall have a service agreement. and with the Congrany of any of its substituties. The aggregate emplanents paid during the year codes 31st December, 1979 to the Directors who held office during that year amounted to 23,502. The aggregate emplanents playable in the year embra 31st December 1979 to the Directors who held office during that year amounted to 23,502. The aggregate emplanents playable in the year embra 31st December 1979 to the Directors who held office during that year amounted to 23,502. The aggregate emplanents playable in the year embra 31st December 1979 to the Directors who held office during that year amounted to 23,502. The aggregate emplanents playable in the year embra 31st December. 1979 to the Directors who held office during that year amounted to 23,502. The aggregate emplanents playable in the year embra 31st December. 1979 to the Directors who held office during that year amounted to 23,502. The aggregate emplanents playable in the year embra 31st December. 1979 to the Directors who held office during that year amounted to 23,502. The aggregate emplanents playable in the year embra 31st December. 1979 to the Directors who held office during that year amounted to 23,502. The aggregate emplanents playable in the year embra 31st December. 1979 to the Directors who held office during that year amounted to 23,502. The aggregate emplanents playable in the year embra 31st December 1979 to 1

Working Capital
The Discussion of the Company are of the opinion that taking account of available bank in littles, the Company and its industrials between the available for their present requirements.

Material Contract
The following contracts which are or may be material have been entered into by the Company other them in the ordinary course of business during the two years preceding the date of this document—

The following contracts which are or may be material have been entered sito by the Company other man miss accuracy contracts which are or may be material have been entered sito by the Company (v) and BCI (vi), being the contract relating to the acquisition of the interest in the Bison Sasin prantomy project.

(b) dated 9th June, 1960 between the parties referred to in /p/ above, being the contract relating to the acquisition of the interest in land adjoining the Bison Basin project.

(a) dated 9th Princ, 1980 between Mr. Temple () the Company (i) and ECRI (iii), being the Company to the acquisition of the oil and gas interests;
(c) dated 9th Princ, 1980 between Overseas Capital Limited (i) and the Company (ii), being the contract relating to the subscription by Overseas Capital Limited of 12,500 new Ordinary States of 121/sp each of the

(a) cames you, 1900 occasion Company (a) min term remaining to the subscription by Occasion Capital Limited of 12,500 first Ordinary States of 121/sp each of the Company (a), being the contract relating to the placing of 1,050,000 Ordinary States of the Company on behalf of Mr. Temples (d) detect 9th Tune, 1980 between Hallichey, Simpson & Co. (h)Mr. Temples (d), being the contract for the sale of the entire issued there expired of Hammill Britis.

General Information

General information

(a) So far as the Directors of the Company are aware, there is no material linguistion or any chain of material importance penning or threatened assigns the Company or its publishance.

(b) Price Wanghouse & Co., Ogic Pennicum Inc., Amer. Corporation. Monatoh Rates Remark Inc., and Cawley, Gillespie & Associates, inc., have given and have not windrawn their written contents to issue of this document with their reports and the references to them in the forms and contents in which they are respectively included. (c) . A Certificate of Examples model Section 19 of the Companies A.g., 1948 has been greated by the Council of The Stock Suchange whereby the Company is exampled from compliance with the requirements of the unit Schedule of the anid Act.

commence of the proposed transactions and of the application for fisting of the Ordinary Shares of the Company are estimated not to exceed \$205,000 exclusive, of valued added tax and are payable by the The state of the s

Documents wealthle for lagraction

Corrier of the following documents are available for inspection at the offices of Harbert Smith & Co., Washing House, 35/37 Cannion Street, Leadon HCGM SSD, during normal business hours on any weeksky inclays and Public Holidays excepted) up to and including 22nd July, 1990:

10) the Memorandum and Articles of Association of the Company:

(a) the Memorandum and Articles of Association of the Company, (b) the published audited consolidated accounts for the Company for the law financial years ended 31st December, 1978 and 31st December, 1979;

(b) the promoted summer constant and Appendix II;
(c) the sechnical reports set out in Appendix II;
(d) the report of Poist Waterhouse & Co., set out in Appendix III;
(d) the service agreements entered into by Mr. Deppels and Mr. Albur;

The second secon

(f) the material contracts printed to show: ment for the transfer of 300,000 Ordinary Shares of 12%p each of the Company from Mr. Temple to BMCT; and (c) the agreement dated 9th June, 1980 between Mr. Brimple and EMICT tening the agree

ents referred to above.

COMMONS — Private Member's motion on problems of youth. Cicvil Aviation Bill, remain-

Environment, on council house sales. Witness: Environment Department. 4.15 pm, Room 16. Ombudsman, on jurisdiction of Ombudsman on contractual and commercial

White Paper.

LORDS — Employment Bill, report stage. SELECT COMMUTTEES — Defence, on D-Notice system. Witnesses: BBC;

TODAY

ing stages.

LORDS — Employment Bill, re-

monetary policy. Witnesses: Bank of England officials, 4.30 pm, Room 15. Public accounts, on Welsh Develop-

ment Agency accounts. Witnesses: Welsh Office; Welsh

Development Agency. 4.45 pm

TOMORROW

port stage. SELECT COMMITTEES Treasury and Civil Service, on

> matters, Witnesses: Mr. Nigel Lawson, Financial Secretary to the Treasury; Lord Trenchard, Minister of State for Industry. 5 pm, Room 7. WEDNESDAY COMMONS-Debate on Ulster

COMMONS - Local Govern- LORDS—Debate on Middle East and South Africa. SELECT COMMITTEES De-

ment Planning and Land (No 2) Bill, remaining stages. fence, on strategic nuclear weapons policy. Witness: International Institute for Strategic Studies, 10.30 am, Room 8 Education, on British

Mr. Norman St. John Stevas, Arts Minister; Sir Frederic Dainton of the British Library 10.30 am, Room 6. Industry and Trade, on imports and exports. Wit-nesses: Society of Motor Manufacturers and Traders; 10.30 am, Room 16. Energy, on nuclear power programme. Witness: Westinghouse. Corporation. 10.45 am, Room 15. Public Accounts, on the

role of the Comptroller and Auditor General. Witnesses:
Sir Anthony Rawlinson, Permanent Secretary to the Treasury, Mr. R. Wilding, FRIDAY. Secretary, Civil Deputy

Department. 4pm,

Room 16. Energy, on nuclear

power programme. Witness:

GEC. 4.15 pm, Room 6. Transport, on Channel link. port, on Witness: George Wimpey. 4.15 pm. Room 17. Employment, on Manpower-Services Commission's corporate plan for 1980-84. Witness: Mr. James Prior, Employment Secretary. 4.30 pm. Room 15. Treasury, and Civil Service sub-committee, on the Civil Service Department's role and powers. Witness: Lord Crowther-Hunt. 5.80 pm, Room 15.

19

THURSDAY
COMMONS—Opposition motion

FRIDAY
COMMONS Debate on information technology.

LORDS—Debate on Ulster White Paper.

Finals:
Ass.d. Leisure
Colmore Invs.
Nerwood Williams
Nay and Hassell
Touchill (R. W.)
DIVIDEND & INTEREST PAYMENTS—
Allied Leather Ord. Units 3.25p
Avon Rubber 4p
85 A 1.79p
86rder Brews. (Wresham) Downing (G. H.) Moorgate Ihrs, Routledge and Kegan Paul Amatil Consd. Inv. Tst.

Equity Consort inv. Tst.
Hollas
London, and, Middant logs.
McKay Secs.
Rothmans Intol.
Utd. British Secs. Tst.
Wasdengton Johns.
Wassen (R. Keivin)
Wrighton (F.)
Interiors Cop. Tst.
Lineroft Kilsper
Mogno-Senericas: Secs. Cops.
Lineroft Kilsper
Mogno-S aga 1.799
Border Brews. (Wreyham) 3 3p
Bowster Corp. 7.25p
British Sypton 2.7p
British Sypton 2.7p
Brooke Tool Enging. 1.45p
Carroll 1.75b
Cole (R. H.) 2.52p
Croda latal. 1.5p
Olickinson Robinson 5.5p
Oreamland Electrical 1.7p
House of Fraker Db. 4pc
Hunting Gipson 3p
J. 1.5p House of Frater Db. Apc
Hunting Gibson 3p
J.B. 1.5p
Lee Cooper 2.25p
Loudon Northern 2.35p
Lowland Drakery 1.5p
Livie Shisping Ord. and A Ord. 4.2e
M. G. Fund thy. Inc 1.8p
Minster Assets 2.3p
Scott Robertson 1.532p
Scottish Ontario 1nv. 2.15p
Silverthorne 0.5p
Smart U.J. (Contractors) 0.85p
Wallon C.J. 0.5p
Wallon U.J. 0.5p
Wallon U.J. 0.52p
Wallon U.J. 0.52p
Young's Inv. TSL 3.8p
TOMORROW
COMPANY MEETINGS— Tarnac 8.75 p
Wilson Broz. 1.10
Young's Brewery Ord. N.V Ord. 2.2p
Wilson Broz. 1.10
Company Brewery Ord. N.V Ord. 2.2p

Wilson Broz. 1.10
Company Meeting St. Company Meeting Mee COMPANY METINGS—
Buigin (A. F.). By Pass Rd., Barking, Essex, 3.00.
States and Agency, Hotel Bristol.
Berkeley St., W., 12.00
Helical Bar, Institute of Chartered Accountants, Moorgate Place, E.C., 2.30.
London and Overses Freighters, Barkt Exchange, 14.20. St. Mary Axe, E.C., 11.00.
Young's Bratwery, West Center Links found's Brawery, West Centre Lille Rd., Fulham, S.W., 12.00, BOARD MEETINGS—

Gen. Corpu. rev. 18th.
M. and -6 Qual- 18th.
NCR
DIVIDEND & INTEREST PAYMENTS—
Bishoo's Stores Ord. and A 2n
Browling-Ferres—17 Car
Carr (John) (Doncaster) 0.8p
Deritend Stamping 94p
Foster (John) 0.5p
Keystone Inv. 3.2p
London Overseas Feelphrers 1.072p
Progressive Secs. Inv. 18t. 2:5p
Reshrook lar - 18t. (Temp.-8usp.-23/4.79)
0.56238).56259 www.tree MacIntosh 4,75p muel (H.) Ord. and A 5.524p ingsby (H. C.) 1,65p witshire Lancashire inv. Tst. 0,65p Ha.30. Rewton Hotels. London Park Hotel. Elephant and Castle, S.E., 12.00. Sear (J. W.J. Connaught Rooms, Gt. Obeen St. W.E. 12.00. MEETINGS.

Vaux Brees, 2.212p
Vareenigning Refractories Pf. 24pc
Villiams (John) of Cardili 1.1p
FRIDAY, METHOGS
Associated British Focds. Connaught
Rooms. GL Queen St. E.C., 11.00.
Dhamal, 17. Melville St., Edinburgh,
11.00.
Property and Revisionary Inv. Corp.,
Albany House, Petty France, S.W.,
12.00.
Warrington (Themas) E8-4698
SUMPAY, JULY 13
DIVIDEND & INTEREST PAYMENTS
Agricultural Mortgage Corp. Variable
Rate Bds. 7/1/83 £8-5750

CURRENCIES, MONEY and GOLD

Interest rates weaken

BY COUN MILLHAM

Interest rates in Europe continued to decline last week. History some centres moved the trend for purely reasons Sterling howed little adverse reaction to the cut in Bank of England Minimum Lending Rate on Thursday. Some market Thursday. Some market observers claimed to expect last veek's move by the UK authori-

ties, but it would be true to say that most were surprised. It was the only week recently

ment, indicating that as far as most foreign exchange operators were concerned the threat of a fall in MLR had receded. The immediate reaction to the news was to knock about 2 cents off the pound, but by the close it had recovered and showed hardly any change on the week the concerned that the pound of the loan the basis of banks depositing securities with the authorities for the 30-day period hardly any change on the week call money rates towards the end at the country's problems over its balance of payhad recovered and showed hardly any change on the week Elsewhere in Europe rates tended to gase, helped to some extent by central bank action to add market liquidity. The Bank of France offered to have paper

of the week.
In the Dutch money market

conditions were stable, and seem likely to remain so, but in Zurich

Burolira rates rose.

The Italian authorities were known to be in the process of introducing an economic package as a result of the country's problems over its balance of payments and inflation. This did not ments and inflation. This did not include a devaluation of the lira. and at the end of the week the It was the only week recently of France offered to buy paper rates are expected to rise, that starting was not sold prior to the Thursday MLR announce rate was unchanged from June by central bank assistance. Italian currency remained adrift from its EMS partners as the weakest member of the system.

July 4	2	THE STATE OF THE S		£ Note Rates
Argentina Peso	4358-4378	1855-1863	Austria	29,15-29,4
Australia Dollar		0.8630-0,8635	Belglum	86.05-66.6
Brazil Cruzeiro		52,115-52,515	Denmark	12.72.12.8
Finland Markka		3,6210-3,6230	France	9.50 9.57
Greek Drachma,.		42.60 42.75	Germany	4.1012.4.14
Hong Kong Dollar		4,9195-4,9225	Italy	1920-197
Iran Rial	па		Japan	· 515-520
Kuwalt Dinar(KD)	0.624-0.630	0.2666-0,2667	Netherlands	4.49.4.5
Luxembourg Frc.	66.05-65.20	28.02.28.04	Norway	11.30-11.4
Malaysia Dollar	5,0325-5,0425	.2.1395.2.1415	Portugal	110-114
New Zealand Dir.	2.3810-2.5860	1,0115-1,0125	Spain	15954 - 1661
Saudi Arab, Riyal.	7,79-7,88	3.3875 5.5305	Sweden	9.69.9.77
Singapore Dollar.		2,1140 2,1160	Switzerland	3.78 3.81
Sth. Airican Rand		0.7680-0.7685	United States	2,352-2,36
U.A.E, Dirham	8.67-8.73	3,7000-3,7030	Yug salayla	1612-66

One month

Day's		. 42	Three %	Dav's 31 There at
	R SPOT A			THE POUND SPOT AND FORWARD
gles		1 =	·	. Rate given for Argentina is tree rate
or. Austria, \$675-680 agles\$754-758	• •	364-654 878-765		Sth. African Rand 1.8115-1.8125 0.7680-0.7685 United States 2.352-2.361 U.A.E. Dirham 8.67-8.73 3.7000-5.7030 Yug selevia 151 ₂ -56
th 20s		\$1621g.1641a \$61-823	· .	Singapore Dollar, 4 9725-4,9825, 2,1140-2,1150; Switzerland 3,78-3,81
ria Sova \$190-192	(£80 lg-82 lg)	8188-190	(£80-82)	New Zealand Dir. 2.3810-2.3860 1.0115-1.0125 Spain 15934-16612 Saudi Arab. Riyat 7.79-7.88 3.3875-5.3305 Sweden 9.69-9.77
Sovereigns \$159-170 Sovs \$190-192	(£711 ₂ .721 ₂) -(£801 ₂ .821 ₂)	\$1681 ₂ -1691 ₄ \$188-190	(27134.7254) (EBO-82)	Luxembourg Fre. 66.05-66.20 28.02-28.04 Norway 11.30-11.40 Malaysia Dollar 5,0325-5,0425 2.1395-2.1415 Portugal 110-114
sleaf\$683-686	(£289-292)	\$6821268412	(£290-292)	Kuwait Dinar(KD) 0.624-0.630 0.2666-0.2667 Netherlands, 4.49-4.53
srrand\$686-688		195841- 4961-	(£29134-28334)	Hong Kong Dollar 11.67-11.59 4.9195.4.9225 Haly 1920-1975 Iran Rial n α Japan 515-520
	Gold Coins			Greek Drachma99.718-102.157 42.60-42.75 Garmany
ingii uxiidisoog'20	(2202,010)	19043,BU	(2203,244)	Finland Markka 8.51-8.55 3.6910-3.6230 France 9.50-9.57

p.a. months p.a. July 2

Gold Bullion (fine ounce)

(£284,105) (£283,015) Gold Coins

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

\$\frac{\text{spread}}{\text{Close}} \text{One month} \text{ p.a. months} \text{ p.a. } \text{Juty 2} \text{ spread} \text{Close} \text{ One month} \text{ p.a. months} \text{ p.a. months}

Close

FT LONDON INTERBANK FIXING (11.00 a.m. JULY 4)

3 month U.S. dollars	6 month	U.S. dollars	- ` -
_ bid 9 1/4, offer 9 5/8	माव ३ शह	offer 9.1/2	

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for \$10m quoted by the market to five reference banks at 11 am each working day. The banks are National Wastminster Bank, Bank of Tokyo, Deutsche Bank, Benque Nationale de Paris, and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market Closing Rates)

July-4	Sterling	U.S.Dollar	Canadian Dollar	Dutch Guilder		Wast German Mark	1	Italian Lira	Asian 5	Japanese Yer
i Short term	161g-167g 166g-187g 157g-161g - 141g-147g -	918 918 918 934 918 934 9 914	11-13 11-13 1214-1258 1114-1156 1058-11 101g-1078 -	1056-1058 1056-1056 1056-1056 1056-1058 1016-1056 1018-1056	512.5 5.512 518.512 518.512 518.518	916-974 956-954 956-912 96-913 873-813 814-856	1218 1248 1218 1236 124 124 124 124 125 124 126 124	15-25 17-23 21-25 21-23 19-21 18-20	96.96 97.96 97.96 97.96 97.96	12 ³ e-13 ¹ e 12 ³ e-13 ¹ e 12 ⁷ e-13 ¹ e 13 ¹ e-12 ¹ e 10 ⁷ e-11 ¹ s 95e-97e

Long-term Eurodoller two years 10¹-10¹-10¹- per cent: three years 10¹-10¹- per cent: four years 10¹-11 per cent: flow years 10¹-11¹- per cent: dominal closing rate, oriesterm rates are call for sterling; U.S. dollars, Canadian dollars and Japanese yen; others two-days' notice. Asian rates are closing rates in Singapore.

The following nominal rates were quoted for London dollar cartificates of deposit: one-month 9.00-9.10 per cent; three-months 9.00-9.10 per cent; six-months The following nominal rates were quoted to 8.88-8.98 per cent: one year 9,00-8.15 per cent.

LONDON MONEY RATES where the market of the control of the control

Luiv 4 Co	Sterling ertificate f deposit	interbank	Local Authority deposits	Local Auth- negotiable bonds	. House	Company Deposits		Treasury	Eligible Bank Blils &	Fine Trade Bills \$
Two months 1 Three months 1 Six months 1 Nips months 1	61:-154: 51:-154: 51:-154: 41:-145: 61:-151: 83:131:	1614-35 1614-17 1614-1634 1614-1636 1614-1636 1414-1436 1634-1378	164-164 164-164 164-16 164-16 1478-15	1712-1754 17-1712 15-3-1614 1412-1478 1408-1454 1578-1418	1712 1719 1634 1614 1514 1458	171g-171g 173g-171g 17-171g 161g 161g 151g	153 ₄ 151 ₂	1411	162g 15/3 15/3 133	1578 1614 1514 141 ₂

Local authority and finance houses seven days' notice, others seven days' fixed. "Long-term total authority morngage rate nominally thre years 134-137, per cent; four years 134-137, per cent; five years 134-137, per cent; four years 134-137, per cent; five years 134-137, per cent; four-month bank bills 144, per cent; four-month trade bills

Approximate selling rate for one-month Treasury bills 14½ per cent; two-months 14½ per cent; three-months 14½ per cent; three-months 14½ per cent; three-months 15½ per cent; continues selling rates for one-month bank bills 15½ per cent; two-months 15½ per cent; three-months 15½ per cent; th

		tiA.
a kan tu kuwa ta sa		
CURRENCY	MOVE	MENTS
	Bank of	Morgan
July 4 -		Guaranty Changes?
Sterling	74.1 85.2 .	i - =
Canadian dollar,	82.1	-
Austrian sofilling	7-157.3 116.1	_
polgian franc Danish krondr	107,9	= _
Doutsche mark	.156.1	, –
Swiss franc	200.2 126.2	-~ <u> </u>
French franc		ļ —
Yen	52.8 129.5	' =
Based on trade we	John chs	moës from
but Live to a contract	rank Dage	

Group net

at Toshiba

By Yoko Shibata in Tokyo TOSHIBA Corporation, Japan's second largest integrated elec-

34 consolidated subsidiaries

nearly doubled group earnings

for fiscal year ended March 31,

helped by improvements in its

three mainstays, home electric appliances, heavy electricals,

and communications and elec-

The consolidated net profits

rose by 96 per cent to Y45.32bn (\$206m) over a year ago. Con-

solidated profits per share were

Y21.14, against Y11.05. Group turnover was Y1,906bn

(\$8.7bn), up 12 per cent. Sales

medical electronics bore fruit.

for 29 per cent of the total.

22 per cent of share in total

turnover. Because of the yen's depreciation in the foreign ex-

hange market, export profita-

bility improved significantly.

During the year, exchange gains

arising from the yen's deprecia-

tion came to no less than Y14bn.

A reduction in the fixed cost burden, resulting from full

capacity operation in semiconductors, office computers

For the current fiscal year.

ending March, 1981, the com-

a slight increase in consolidated

double

income near

WEST GERMAN CAR INDUSTRY

Volkswagen feels the pinch

facturer, has started to feel the the speed with which the repinch of the recession in world cession in car sales has de-car markets and has announced veloped. that it will be forced to introduce some short-time working at its Audi plants later this

Like its major competitors 4,000 of its workforce redundant in the West German market, Ford and Opel, Audi has been hit by the particularly sharp fall in demand for large saloon cars with engines bigger than two litres.

Volkswagen said that it was preparing for up to four weeks of short-time working in September at the Audi works at Ingolstadt and Neckarsulm in southern Germany. Audi has a slightly to 79,181 in the first five workforce of about 30,000 of months of 1980 from 76,138 a which about half are employed year earlier. in production work.

Opel and Ford have been operating some plants on shorttime working for several months and Opel will make more than later this year,

Audi has been hit chiefly by the slump in West German sales of its Audi 100 model from 42,616 in the first five months of 1979 to only 26,384 in the first five months of 1980. Hopes that sales of the Audi 80 could help fill the gap have not been fulfilled with new registrations of this model rising only

man of Volkswagen. told its dealers dropped by about 5.4 and to improve productivity annual meeting that the car market has become much more of 1980 Volkswagen deliveries to order to improve productivity and to improve VW's market share.

The only exception to this Overall in the first six months

VOLKSWAGEN, West Ger- difficult in the last few weeks coming close to last year's sales would be the further expansany's largest motor car manual difficult in the last few weeks coming close to last year's sales would be the further expansany's largest motor car manual difficult in the last few weeks coming close to last year's sales would be the further expansany's largest motor car manual difficult in the last few weeks coming close to last year's sales would be the further expansany's largest motor car manual difficult in the last few weeks coming close to last year's sales would be the further expansany's largest motor car manual difficult in the last few weeks coming close to last year's sales would be the further expansany's largest motor car manual difficult in the last few weeks coming close to last year's sales would be the further expansany's largest motor car manual difficult in the last few weeks coming close to last year's sales would be the further expansany in the last few weeks coming close to last year's sales would be the further expansany in the last few weeks coming close to last year's sales would be the further expansany in the last few weeks coming close to last year's sales would be the further expansany in the last few weeks coming close to last year's sales would be the further expansany in the last few weeks coming close to last year's sales would be the further expansany in the last few weeks coming close to last year's sales would be the further expansany in the last few weeks coming close to last year's sales where the last few weeks coming close to last year's sales where the last year's sales were the last year's sales where the last few weeks coming close to last year's sales where the last few weeks coming close to last year's sales where the last year's sales where the last year's sales which we were the last year's sales where the last year's sales where the last year's sales where year's sales were the last year's sales where year's sales where year's sales were the last yea

Herr Schumücker said the group should reach last year's sales total of DM 30.7bu (\$17.5bn). But profitability was being hit by rising costs so being hit by rising costs so Volkswagen was unlikely to re-DM 667m in after-tax profits.

The VW chief executive said that despite the recession in world car markets he expected car sales to grow at about 2-2.5 per cent a year in the 1980s. He stressed that Volkswagen

intended to devote its full attention to the motor industry rather than diversify into other fields. The group's financial resources stretched to the limit by the effort needed to develop new models and technologies, to rationalise assembly plants in

The only exception to this Republic

per cent from the previous year. About 31.2 per cent of group's turnover came from the West German market. Of the foreign sales of DM 848m, the major share was in the U.S.. Triumph/Adler's largest single market. The group still has major structural problems in the U.S., however, particularly with its Royal Business Machines subsidiary which reported large

losses again in 1979. Overall, Volkswagen is investing about DM 45n this year, of which DM 2.7bn will be in West Germany. Investment should rise again next year to DM 4.2bn of which DM 3.1bn will be devoted to VW's operations in the Federal

Bosch forecasts further profit fall

BY OUR FRANKFURT CORRESPONDENT

ROBERT BOSCH group, one of turnover. facturers of electrical automonot been sufficient to offset tive components, expects sales rising raw materials and labour to stagnate over the next six costs. At the same time stiff months and is forecasting a further fall in group profits this

Consolidated sales of the Bosch group rose by about 12 per cent to DM 10.8bn (\$6.15bn) last year but after-tax profits declined again to DM 172m (\$97.87m) from DM 224m in 1978 and a peak of DM240m in 1977. The parent company with DM 126m in 1978.

but Bosch has already suffered of Japanese cars in Europe and some setbacks in important U.S. markets, which in turn is market sectors and profits have depressing Bosch's sales. not kept pace with the rise in

Gains in productivity have competition in international markets has limited price in-

Sales rose in the first half motor industry customers are attack from Japanese competi-

BY HILARY BARNES IN COPENHAGEN

ment export credit guarantee to extraordinary export credit

cover construction of a series of guarantee, but on Friday they

So far, B and W has declined to provide the export credit

to comment about reports that guarantee unless the finances of

yards was prepared to put up Had B and W succeeded in

a plan for the restructuring of towards a possible deal with

First quarter gains at Parker Pen

PARKER PEN increased net 5.5 per cent stake in Manpower,

profits from \$6.75m to \$8.49m in the world's largest temporary

the first quarter to May 31 on employment group. The tem-sales ahead from \$144.3m to porary work operations, \$165.2m, in line with its fore- although providing some 60 per

pen and writing instrument have contributed something less

group advanced from 40 cents to than 40 per cent in net profits.

Writing

DKr 70m (\$12.85m), if other concluding a management agree- manager.

bulk carriers at the group's recovered to DKr 34%.

statement tomorrow about its

BY WESTERLY CHRISTNER

which the state took a 73.6 per

to reach a decision concerning

the restructuring plan proposed by Mr. Folke Rydbo, the com-

casts. Earnings per share of the

50 cents, writes Our Financial

pany's managing director.

cent stake last year.

epressing Bosch's sales. acquisition Femsa, in which it half and a 2 per cent increase in the medium-term it is holds a 54.9 per cent interest. in prices.

The Government is not willing

State presses NCB restructure

THE SWEDISH Government outright capital injection of capital. Also the unions are

has appointed a mediator to SKr 650m (\$156m) from the unwilling to 20 along with the

Norrlands Skogsagares Cellulosa MoDo for a fine paper plant, and measures that would reduce the (NCB), the north Swedish an additional SKr 35-150m workforce by more than 1,000.

On Thursday, NCB's board period. In addition, the plan negotiations with the forestry announced that it was unable requires a SKr 620m write-off owners, who hold the remain-

the board because the forestry

cent of revenues in recent years,

Writing instruments, mean-while, have provided 60 per cent

any's managing director. owners have stated that they the forestry owners' share Mr. Rydbo has called for an are unable to raise more share engagement in NCB could be

A conflict has arisen within NCB shares.

Shares in B and W plunged have waived the ficancial con-

determined by raw material Mr. Bo Hedström, general-costs to cover losses during the director of the Forestry Board,

estimated 2-3 year restructuring was appointed to lead the state's

hoping to increase its sales Femsa also operated at a loss volume by providing more high last year, as a result of falling

Bosch is also facing continu-ing difficulties with its Spanish a 10 per cent rise in the first

with Lauritzen ended unsuccess-

within days if it cannot obtain

treated laconically by B and W.

Niels Boseruo, information

of two pulp mills and other

owners, who hold the remain-

ing 26.4 per cent portion of

reduced." Mr. Nils G. Aasling,

Industry Minister, said on

Friday. But he stressed that a solution would initially be sought on the basis of the com-

Also, Professor Karl Jungen-felt of the Stockholm School of

Economics was named to con-

duct a financial analysis of NCB

which would outline the cost

consequences of several alterna-

tive strategies against the back-

ground of the option to with-

pany's present ownership.

"It cannot be ruled out that

Burmeister reconsiders finance advance of THE TROUBLED Danish ship- creditors and shipowners with ment with the J. Lauritzen shipbuilding group. Burmeister and vessels on order agreed to proping group to run the B and W

By Our Financial Staff
VICTOR COMPANY of Japan (JVC), the Matsushita Electric Industrial subsidiaries which recently agreed with Thorn-EMI to co-operate in the develop-ment of a home video disc system, raised its consolidated net profit in the fiscal year to March by 121 per cent to Y10.67bn (\$48.5m) from Y4.83bn in the previous year. on the basis of brisk demand in 40 per cent by Santa Fe and the domestic market and rising exports. Consolidated sales increased by 35.2 per cent to Y322.49bn (\$1.5bn) from

Sales of audio products gained 25.8 per cent to Y91.03bn, and represented 28.2 per cent of turnover. Video equipment sales rose by 71.9 per cent to Y122.65bn, accounting for 38 per cent of the total. Sales of gramototalled Y38.222bn up 7.9 per cent, while sales of television

The company feels that busiyear, partly as a result of international recession, but looks for an increase in net profit of some 17 per cent to about Y12.5bn. on sales rising around 21 per cent

profits at parent company level almost 106 per cent to Y7.9bn, while sales on this basis were up 35.6 per cent to Y254bn. THE FINANCE MINISTRY has raised quotas for broker posi-

panies in Gen-Saki trading, to a total of Y5,800bn (equivalent to \$26.4m), from Y4,300bn, according to securities sources here reports Reuter from Tokyo.

Exxon ready to lay out \$13-16bn on Rundle Shale

full scale development, Esso Exploration and Production, wholly owned by Exxon, has signed heads of agreement with two Australian mining companies. Southern Pacific

Petroleum (SPP) and Central Pacific Minerals (CPM), which hold the Rundle oil-shale deposit The agreement provides for a pilot plant to treat 25,000 tonnes

of home electric appliances were boosted by 14 per cent to account for 36 per cent of the total. The company's measures oil-shale a day to produce 15.000-18,000 barrels of oil a day. Esso will provide the first stressing industrial electronics such as integrated circuit (IC) business, office computers and US\$330m, but is prepared to put up all the finance for SPP and CPM, commonly known as Sales of communications and electronic machinery rose 22 the Rundle twins. The aim is to develop a pro-ject to produce 180,000-240,000

per cent, to account for 24 per cent of the turnover. Sales of heavy electric machinery inbarrels of oil a day. This is further development is technic equal to Australia's current ally and commercially feasible creased by 2 per cent to account level of crude oil imports. which costs more than US\$2bn The company's exports totalled Y418.74bn, to show a gain of 35 per cent, and to take a year. It would equal about 20 per cent of Australia's expected

If Rundle goes ahead it would the huge shale deposits at Rundle in Queensland, Australia.

The U.S. group will pay at least US\$500m even if the project ultimately fails to justify full scale development.

If Rundle goes anead it would be easily Australia's largest resources project. It would dwarf the proposed A\$46n-5bn North West Shelf liquefied natural gas project off the Western Australian coast.

By 'comparison, the capital pumped into the Bass Strait oilfields which currently produce about 76 per cent of the country's petroleum requirements, is still less than A\$2bn. Esso Exploration and Production is actually a 50 per cent partner in the Bass Strait, and revenue from the operation would fund the Rundle project of which Esso has been appointed operator.

Esso expects the pilot plant to begin production in 1985 and to operate for two to three years to decide on the optimum production method. If, as expected the results

of phase one indicate that further development is technic expansion of the project to its optimum economic size will take place," the directors of the Rundle twins announced yester- which would need to be hand

EXXON CORPORATION of the oil demand in the 1990's, when day. If Esso finances the description is prepared to spend it is hoped to have the project it would be entitled to the control of the control of the description in full production.

If Rundle goes ahead it would repaid. it would be entitled to the lion's share of production upon

The agreement basically pr vides that Esso and the will each own the night to be per cent of production. If the twins can arrange finance th will be entitled to a maximum of 75 per cent of production.

The agreement also provide that Esso will make a cash be ment to the Rundle companie of almost U.S.\$50m and will also pay U.S.\$25m a year until w pilot plant is in production production starts in 1985would give the Rundle partner which have a combined espit of only A\$14m, anoth U.S.\$100m, which they intend. use to explore and dev

other oil-shale deposits. The twins have at least the more prospects in Queensi Condor and Stuart, high which are larger than Rundle The reserves at Rundle estimated at 2bn barrels of which would maintain pr

about 25 years. One of the major difficulties confronting the project is in

tion at the maximum rate?

APICorp earnings move ahead

and carbon black project.

OVERSEAS—contd.

APICorp's

OFFSHORE

BY JAMES BUXTON

states to invest in petroleum industry projects, has reported a 52 per cent increase in net profits for 1979, from SR 62.7m in 1978 to SR 95.3m (\$28.6m) in 1979. Revenue was up by 31 per cent from SR 90m in 1978 to SR 118m (\$35.4m) in 1979.

APICorp, which is based in Dammam. Saudi Arabia, was set up in 1975 and has a paid up capital of SR 1.2bn. Although

In the first of its joint venture projects to get under way APICorp helped form a jointventure between its sister company. Arab Petroleum Services Company and the U.S. drilling concern Sante Fe. The new company, the Arab Drilling and Workover Company, is owned 20 per cent by APICorp, 40 per cent by Arab Pe Services Company.

ZIM ISRAEL Navigation Company more than doubled its profit in 1979, to I£236m, from 1£106.2m in 1978. The latest profit is equivalent to \$93m, as converted at the average exchange rate for the year. Income from shipping and related services came to L£16.5bn (\$649m), compared I£9.35bn in 1978.

The average exchange rate in 1979 was I£25.44 to the dollar, against I£17.50 in 1978. The rate currently stands around I£48. The Zim fleet carried 7m tonnes of cargo in 1979, or 1.1m tonnes more than in 1978. The figures do not include bulk cargo shipments in chartered vessels, or oil. Trade to and from Israel accounted for 4.9m tonnes of the total, 17 per cent more than in 1978. The volume of cargo carried between foreign ports rose by 22 per cent to just over 2m tonnes. Income from trade between foreign ports-although making up only 29 per cent of total freight business-accounted for 51 per

Coupon reduced on Japan bonds

Finance Ministry plans to offer four-year Y150bn (equivalent to some \$680m) of medum-term National bonds by conventional auction today, Ministry officials

previously. The Ministry last month issued Y105bn of 8.5 per cent

four-year bonds at a coventional

auction, the first issue of such bonds, which were priced at 101.23 per cent, to yield 8.087 per cent. This was the first time since the Ministry began issuing medium-term National bonds by public auction in June 1978 that the price topped par.

Deposits to and further information from The Chief Cashier,

THE ARAB Petroleum Invest- include a scheme to establish investments ments Corporation (APICorp), an Arab detergents industry, SR 493.2m at the end of 19 a company owned by 10 Arab for which the location has yet Investments in bonds unrest to be decided; a project to to projects and in notes establish an Arab catalysts debentures amounted industry: a lubrication oil SR 131.7m and current as

project; and a synthetic rubber including time deposits, call

UNIT TRUST SERVICE

ck project. current account be project-related amounted to SR 635.6m.

an increase of 112 per cent to its principal objective is to in-Y41.04bn in net profit at the vest in joint ventures in the petroleum industry in the Arab world, its main activity so far has been leading or participating in Euromarket loans related to such projects.
In 1979 it managed and par-

ticipated in \$708m of loans and bond issues, relating to lique-fied petroleum gas (LPG) pipe-line in Algeria, oilfield development in Oman and gas projects

in Algeria.

Joint-venture projects in the pipeline and under study

Unsurge at Zim Israel **Navigation** By L. Daniel in Tel Aviv

cent of total income. The company is steadily expanding and renewing its fleet, having invested \$98m in seven new vessels received last year (two container ships, as well as multi-purpose and rollon/roll-off vessels). This programme is continuing.

TOKYO - The Japanese

been held over from last

Deposits of £1,000-£50,000 accepted for fixed terms of 3-10 years. Interest paid gross, half-yearly. Rates for deposits received not later than 18.7.80.

Terms (years) 3 4 5 6 7 8 9 10 Interest % 131 131 131 131 131 131 131 Finance for Industry Limited, 91 Waterloo Road, London SE1 8XP (01-928 7822, Ext. 367). Cheques payable to "Bank of England, a/c FFI." FFI is the holding company for ICFC

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هكنامنالأجل

Rescue deal for SIR cleared THE ITALIAN Government Wain, is expected to make a vide an additional DKr 30m. vesterday cleared the way for what should be the final rescue attempts to arrange some form on Thursday by 25? points to ditions. However, negotiations of the troubled chemical group, of financial backing after the close at DKr 24 on news of the Societa Italiana Resine (SIR), group failed to obtain a Govern- Government refusal to grant an fully on Wednesday.

once owned by Sig. Nino Rovelli and now, to all practical purposes, bankrupt.
As part of the major economic package, announced late on Wednesday L350bn (\$416m) of government money will be provided to meet the immediate proup are strengthened by group, believed to be the bigmonth appropried plans to close gest single creditor of the shipof DK: 190m. month announced plans to close

entire operation in Sardinia. for lack of cash to pay wages and buy raw materials. This, in turn, will clear the way for ENI, the state energy agency, to take over the industrial management of SIR for a preliminary period of one year. However, there is now little doubt that ENI will take lasting control of at least the viable parts of Sig. Rovelli's group, today being run by a reluctant negotiate with forestry owners state, plus SKr 200m for a loan plan, which entails the closure consortium of creditor banks.

A further L170bn will then be allocated to GEPI, the Italian government agency which helps forest owners' company in determined by raw material out companies in temporary financial difficulties, and which is now part of the SIR consortium This move is designed to buy

time for a final settlement of SIR's debts, put at over L3,000bn. ENI has always emphatically insisted that it would only take over SIR on the understanding that it was absolved of any responsibility whatever for the outstanding liabilities of the latter. This condition now seems to have been met.

Singapore ADR

Japanese group.

challenging in the courts.

or an alternative of A\$20 cash,

Morgan Guaranty Trust Com-pany of New York has established the facility for the issue of American Depositary Receipts (ADRs) for the shares the Development Bank of Staff.

creases and led to a further squeeze on profit margins. With stocks at an uncomfort-

ably high level and an expected fall in sales volume in the the capacity use of main plants. Bosch is dependent on the of 1980 by about 10 per cent, also suffering from rising sales tors.

long-term process.

from 1978 achieved by cuts in ment. the workforce and other Over second of 1980, Bosch is pre-paring for a significant fall in measures to restructure the formance has been very patchy kets in car radios and home sector showing a fall of about did better, boosting after-tax depressed motor industry for entertainment equipment such 6 per cent and the best perfor-profits to DM 151m compared more than 62 per cent of its as television sets, stereos and mer an increase of about 28 per sales. Most of its important radios are still under heavy cent.

technology equipment for each sales of electrical and electronic car sold, but this can only be automotive equipment to the Spanish motor industry.

Bosch investment spending is

In addition, its performance Bosch investment spending is is being hampered by the con-rising to DM 750m-800m this tinuing losses accumulated by year compared with DM 676m its Blaupunkt subsidiary. Its in 1979 with the major single amounted to some emphasis going on the develop-DM 29m last year, a reduction ment of fuel injection equip-

and medical electronics, contributed to the upsurge in business. But Blaupunkt's mar- so far this year with the worst earnings. pany expects to achieve con-solidated sales of Y2,000bn, and

For the whole of 1980 Bosch expects a sales increase of about

In May, Toshiba announced parent company level, on a sales gain of 15 per cent to Y1.428bn. Consolidated

121% at JVC Danish newspaper reports that B and W might have to suspend payments to creditors "The Press has been announc-ing our imminent decease for several years." commented Mr.

Y238.45bn. Profit a share rose to Y72.66 from Y33.06. JVC said that the earnings performance came with a solid increase in demand in the domestic market in all product categories and rising exports resulting from the Yen's depre ciation in the foreign exchange

market in the year. Exports climbed 69.1 per cent to Y161.67bn, from Y95.62bn, to account for 50.1 per cent of total sales.

phone records and music tapes sets and other products sales were up 19 per cent to Y70.59bn. ness conditions will not be favourable in the current fiscal

to Y390hn JVC reported in May that net

tions of Japanese securities com-

The coupon rate will be 8.2 per cent, down from 8.5 per cent

The articles on this page have

FINANCE FOR INDUSTRY TERM DEPOSITS

Singapore (DBS), reports Parker earlier announced that of profit Leongie Lee from Singapore, it had bought an additional of sales. Parker earlier announced that of profits from only 34 per cent hold further capital support for NCB, the minister said. White Industries in step to thwart Bond BY OUR SYDNEY CORRESPONDENT THE DIRECTORS of the New funded by Mitsubishi. The prevent the shareholders having Meanwhile White Industries South Wales coal group, White Industries have threatened White Industries directors said the opportunity to sell their has been granted large addishares at a higher price. They tional steaming coal areas in pointed out that the White Queensland and NSW. The new they would accept the family Endeavour Resources with legal pointed out that the White Industries board had recomcompany bid for their shares action if it does not withdraw its formal takeover bid for and recommend acceptance. mended acceptance of a lower

White. Endeavour, a member Endeavour had previously announced a partial offer, plus an of the group headed by Mr. Alan Bond, is locked in a invitation at A\$20 a share, seekbattle for control of the coal group with a White camp which includes the board, the White ing at least 55 per cent of White Industries' capital. On Wednesday it sent out its formal documents for shareholders to family and Mitsubishi the accept, and announced that its The White camp claims the support of 53 per cent of the bid price had been varied up-wards to AS21. White Holdings has not yet sent out its Part A capital but this includes about statement and cannot send its 10 per cent held by a White staff share scheme and a listed White associate Mareeba Mining, which Endeavour is formal documents until at least two weeks after that occurs.

The directors of White Industries have now told Endeavour Endeavour holds 43.6 per cent of White. There is only that its offer is illegal because under the Companies Act an invitation cannot be varied up-wards, only an offer. They said about 3.9 per cent of the capital in uncommitted hands. The the Endeavour offer should be White family recently formed a withdrawn, and if this was not done White Industries would new company, White Holdings which announced a partial approach the Supreme Court of invitation for 53 per cent of the capital. The offer was of

three White Holdings shares Endcavour replied that it was White Industries Telex setting for each White Industries share extraordinary that White Industries proposed to take action to to take no action.

Endeavour said the provisions of the Companies Act could not have been intended to mean that the price for offers could be varied but not for concurrent invitations as this would be patently unfair. Endeavour said seemed clear the stock exchange requirements meant that the same price should be available both for offers and invitations and endeavour regarded itself bound not to offer a differential price. Endeavour also said that if there should be any change to its terms it should affect only

Corporate Affairs Commission

had accepted the notice of varia-

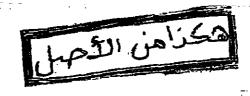
had been sent a copy of the

White Industries Telex setting

price from White Holdings.

areas are revealed in a lengthy document sent to shareholders by White directors to bring them up to date with developments. The Queensland prospect is a joint-venture with Hyundai International of South Korea and covers an area of about 630 square kilometres in the Clermont region. It adjacent to the huge Blair Athol steaming coal deposit. The NSW area has been granted to Ulan Coal Mines. which is 60 per cent owned by White Industries and 40 per cent by Mitsubishi.

Ulan is White's major asset and is currently working the invitation and not the accompanying offer. Endeavour also pointed out that the NSW towards the development of a major coal mine to export about 4m tonnes of coal a year. The White directors said that Ulan tion. Endeavour said the CAC had been granted an authority to prospect an area of 1.800 hectares adjacent to the northern and western areas of the Ulan holding.



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INFORMATION SERVICE

Financial Times Monday July 7 1980

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SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

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TEXTILES

TO ADVERTISING

PAPER PRINTING

PAPE

Financial Times Monday July 7 1980

INSURANCE—Continued

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MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

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Ang Begg Int. 10p...
Mar. Braid Group 5p...
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Ang Davis Godfrey ...

LEISURE

INDUSTRIALS—Continued

TEXTILES

FINANCIAL TIMES

Monday July 7 1980

Deeper French

THE SLOWDOWN in economic

activity in France during the

current year is expected to be

substantially greater than fore-cast by the French authorities,

according to the annual review

of the French economy pub-lished by the OECD at the week-

After increasing by 3.5 per

cent last year, Gross Domestic

Product is likely to grow by 2

per cent at the most in 1980.

compared with official French

predictions of 2.5 to 2.7 per cent

for the year. In the second half

of the current year, GDP is

than an annual rate of 1 per

French inflation, on the other

hand, are more or less in line with those of the French

Economics Ministry. Consumer

prices are expected to rise by about 13 per cent in 1980, against 10.7 per cent last year.

After the sharp jump in prices

during the first few months of this year, monthly rises are

expected to become more moderate during the second half.

The slow-down in economic

activity will inevitably lead to

a further increase in unemploy-

ment, currently running at more than 1.4m. The interna-

that the rate of unemployment, which was 5.9 per cent of the

active working population for

1979, will rise to at least 6.5 per

France's oil bill is expected

to increase by a further \$9.3bn

as a result of successive

increases in the price of impor-

country's balance of trade will

BY JOHNATHAN CARR IN BONN

cent by the end of 1980.

ted energy products.

deteriorate sharply in 1980.

tional organisation forecasts demand.

OECD forecasts

cent.

recession likely,

The trade deficit, according to

the OECD secretariat, is expected to increase from \$1.3br

(£556m) in 1979 to about \$7.3bn

(£3.12bn) in 1980, in spite of a substantial decrease in the

imports trend as a result of the

The current account, too, will

suffer because of the heavy burden of oil prices. Thanks to a substantial surplus on

invisibles, the current halance

was in the black to the tune of

about \$1.4bn (£598m) last year.

Even forecast a further improve

ment in the services account in

1980 will not suffice to prevent

the current balance from mov-

ing this year into an estimated

The OECD secretariat con-

siders that the French Govern-

ment is right to continue giving

priority to the fight against in-

flation given the present trend of prices. This should be a pre-requisite for a return to

Only if the symptoms of

recession become much more serious than they are at present.

provoking a sharp increase in

unemployment, and if real pro-

gress is made towards keeping

measures be taken to stimulate

The OECD also implicitly praises M. Raymond Barre, the

Prime Minister, for his policy

of freeing prices, which should

lead to a better functioning of the market mechanism and, in

the longer term, put a brake on

inflation. The report adds, how-

ever, that the benefits of this

policy will only become appar-

ent if it is accompanied by

vigorous steps to ensure free

check.

should

prices in

sustained economic growth.

deficit of \$3bn (£1.28bn).

slack domestic demand.

OECD forecasts



FT SURVEY OF BUSINESS OPINION

Inflation 'easing' but confidence still low

BY PETER RIDDELL AND DAVID MARSH

over the next fortnight. This and oil, and shipping and transwill form the centrepiece of a port sectors—referred to the concerted campaign of minis-constraints imposed by a shortterial speeches aimed both at age of orders. One result is offsetting the impact of the a record number of companies deepening recession and at expecting to reduce their labour influencing expectations in the forces over the next year.

Treasury Ministers and their advisers are becoming optimistic that the inflation rate will Secretary to the Treasury. fall dramatically over the next This prospect, together with last Thursday's one point cut in Minimum Lending Rate to 16 per cent, will be presented any forecast.

Mr. Biffen also argued that the ment's monetary policies are

The other side of the coin the gloomy outlook for produc- ported this afternoon by the tion and jobs - has been underlatest Financial Times business show that the 12-month rates opinion survey. This shows a of increase of both industry's very low level of confidence raw material costs and its outamong industrialists about the put or factory gate prices prospects both for their own dropped slightly last month companies and for the economy despite the further rise in oil

A DEFINITE easing of The companies interviewed inflationary pressures will be for the latest survey—in the non-shown by new official evidence electrical engineering, chemical

Interviewed about the economy yesterday on the World thought the current year might mark ' sion." "the depth of the reces-But, characteristically, he would not be drawn into

there was evidence that the rate of inflation was slowing. This view is likely to be SUD

wholesale price indices for June. These are expected to

Government borrowing figures due out this week. FT survey details, Page 6

Moreover, the retail prices

index to be announced at the

end of next week is likely to

show that the 12-month rate.

now 21.9 per cent, has started

to fall. The biggest drop will

come next month when last

summer's rise in VAT drops out

Treasury Ministers believe

the 12-month rate could be 17 per cent, or even slightly less, by the end of this year, and

comfortably below 15 per cent

This prospect was at the centre of a cautiously optimistic presentation to the Cabinet last

Thursday by Professor Terry

Burns, the chief economic

The date of the Cabinet meet-

ng, and the associated pub-

licity, apparently had some influence on the timing of the

MLR cut, which might other-

wise have been a week or two later. An additional factor was

the authorities' desire to antici-

pate the banking and central

adviser to the Chancellor.

of the figures.

within a year.

End of deadlock in sight over cigarette advertising

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE DEADLOCK between the tobacco industry and the March. Cigarette companies Department of Health over new have adhered to this agreement voluntary curbs on cigarette soon. Progress has been made in negotiating a new agreement. and an announgement is expected in early August before the parliamentary recess.

The main remaining problem to be allowed on poster sites. Further talks between tobacco companies and the Department of Health on this issue will be

agreement, which has been in ettes is conflicting and the best

while a new deal is negotiated.

An agreement was nearly concluded shortly before the Budget in March, but disagreement on the final outstanding points ended in deadlock.

The anti-smoking pressure group, Action on Smoking and is believed to concern the Health (ASH), has accused the amount of cigarette advertising tobacco industry of tricking the public into believing that smoking low-tar cigarettes was comparatively safe.

"The scientific evidence of The voluntary advertising from higher to lower tar cigar- over voluntary control of sports operation for the past three evidence is that the benefits in expected to start in the autumn.

years, expired at the end of terms of saving lives are small," March. Cigarette companies argues Mr. David Simpson, the argues Mr. David Simpson, the during the current year, mainly ASH director.

However, Mr. Andrew Reid.

chairman of Imperial Tobacco. described the ASH allegations as "irresponsible and ill-founded." He said the Hunter Committee report on the effects of smoking on health "includes the recommendation that tar yields should be reduced to the minimum compatible with maintaining consumer acceptibility.

After agreement on cigarette advertising is finally reached. the tobacco industry will have to start negotiations with the the health effect of changing Department of the Environment sponsorship. These talks are

Continued from Page 1

Walker questions strategy

risk, he said, was not to be to finance it. He went along more productive but to try to with the Government thinking entrench himself in the 10b he

Mr. Walker also warned that unemployment did not bring efficiency with it. Moreover, if it went high enough, it could Mr. lead to serious social strains strong

public spending but repeatedly tressed the cost to the economy of high unemployment. As it was, the 1.5m people out of work were costing the country

and increased public spending believed the Government had a Mr. Walker also gave the to market forces would just trong impression he still its industries disappearing. to market forces would just see

duty to pick out winners in industry. International competition was such, he said, that Britain would have to sustain its industrial base. The reality of the western world was that any government which thought industry could be left entirely

ready to drop the main pre-

conditions on nuclear missile discussions with the U.S. President's decision in principle, announced on June 26, to add the neutron bomb to the French

The Chancellor supports the nuclear arsenal. Herr Schmidt

Chancellor Helmut Schmidt

Moscow last week, when the

rms race will be a key tonic Europe

talks during President The two leaders will be Giscard d'Estaing's visit to West Germany, which starts analysing the Soviet move — M. Giscard met Mr. Leanid Brezhnev, the Soviet leader, in cautious U.S. welcome to it, has already given the French President details of his talks in Herr Schmidt feels the Soviet offer is a positive step and that talks on it between Washington Soviet Union made clear it was and Moscow will emerge,

Talks between the President and Chancellor and between Ministers from both sides will held on Thursday and Friday. M. Giscard will be making a state visit to Bonn and the provinces in the first half of the

UK TODAY Showers. Brighter intervals later in Wales and Southern England. Rather cool.

Bright with rain later. Max 16C (81F). E., S.W., Cent. S., England Northern Scotland

Showers, Bright intervals. Mostly cloudy. Coastal fog patches. Max. 13C (55F). Rest of UK Cloudy, Rain later, Max. 170

Outlook: Changeable, Sunny ntervals and showers in most areas. More prolonged rain in the South.

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THE LEX COLUMN

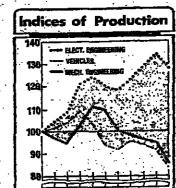
Industry's cash runs low

The equity market's June rally has anticipated significant mprovement in corporate earn ings and finances next year, and it is all too easy for the City to which they are supposed to recover. In theory, the dreadful second quarter profit figures that will soon be published have already been discounted, but they may be a severe test of the market's nerve. Two firms of brokers — W. Greenwell and Wood, Mackenzie—have published analyses over the week-end of the corporate sector's financial positon, which draw similarly sobering conclusions. The pressing problem of the moment is not just earnings cover for debt service, still less capital gearing—it is that companies are desperately illiquid and, despite the present rash of de-stocking, likely to remain so for some time.

Although income gearing is rising as the return on capital falls, the trend to lower interest rates can now be seen to be under way. Capital gearing is, in general, not a serious problem, but it seems likely that a number of the fixed asset revaluations which have shored up shaky balance sheets over the last couple of years have become distinctly unrealistic. Asset sales may not always be an easy solution for a company with

cash problems. And cash problems are becoming acute. From a study of 30 companies - 10 per cent of the London market between them which have published accounts up to December 1979 or later, Greenwell conclude that the ratio of current assets to current liabilities whether including or excluding stock and work is already worse than in 1975 and approaching the worst levels of 1974. Wood, Mackenzie look at the

Nuclear arms will be liquidity squeeze against deteriorating current cost earnings. It estimates that at the end of 1979, the quoted comtopic of Giscard visit roughly the same as the year's inflation-adjusted earnings. On PROSPECTS FOR East-West feels this will help maintain the its forecast, this figure may discussions to halt the nuclear East-West power balance in rise to £9hn by the end of this ear perhans three times 1980 current cost earnings. The firm of is nevertheless expecting aggregate dividend payments to rise by nearly 10 per cent this year
—a figure that will be heavily influenced by very large and financially strong companies. A fall in inflation by 1981 should cost cover for dividends.



comparatively modest rise in the overall ratio of corporate debt to market capitalisationthat is, debt to the potential for raising capital by rightsmay be one explanation for the of pressure from bankers for companies to refinance bank borrowings with equity. If shortage of equity is not a pressing problem for the corporate sector as a whole, though, shortage of long-term fixed rate debt certainly is. Unless the market for corporate debt issues does re-open soon, this problem can only be aggravated by the increasing liquidity pressures and the few years of outstanding fixed-rate debt. heavy maturities over the next

Engineering

This is the time of the econocycle when Midlands engineering executives look at their shrunken order books, their redundancy plans and their short time working schedules and wonder, in a baffled way, what the stock market is playing at in marking their shares up by a sixth in a month. In fact the mechanical engineering sector index has climbed by nearly 18 per cent since the market hit a low point at the beginning of June, company sector's liquid deficit— at the beginning of June, com-overdrafts and quick liabilities pared with a corresponding less cash—was around £5bn, All-Share Index.

The sudden revival has also slightly overtaken the specialist Birmingham brokers Albert E. the sector was prepared against a rather more forbidding market background. For instance, one of the brokers' recovery tips, short term Northern Engineering Industries, has jumped in price by high borrowings either. Si more than a third inside 5 weeks then restore adequate current and looks to have moved outside the buying range for the

danger of easing into sine figures in percentage terms. Sharp's main analysis, an ever, is of a long-term nately They-point out that mechani engineering has been in secular downtrend since duction actually fell by some per cent between 1970 and and there will be a R drop this year under influ such as destocking and the potitive sterling. On the hand, electrical engine shown growth of 35 per output since 1970 and within the mechanical

there are some growth a The brokers peint increasing emergence of a industry sub-sectors are \$8 show sustained growth, a regardless of the poor m for straightforward metal areas include defence and space, mining equipment, generation and energy vation. Certain other like silfield equipment, d engines and railway also have excellent loo prospects but suffer to sometimes severe cycle

At any rate, the engine sector currently has a grid star in the shape of the D Group which neatly start defence aerospace and my equipment: bursting through the 2000 level Friday, its shares yield a mod 2.6 per cent. There is Hawker Siddeley currently its 1980 high too though has rather more cyclical pi lems to contend with

At the other end of spectrum, of course, the ed eering sector has more may fair share of companies in blighted by the problems if manufacturing industry, share prices of companies as Aurora Holdings, Ba Qualcast, Serck and Weir G. are all much nearer their lows than their highs. component makers are cially squeezed at presentatively he market still bas a cau attitude to the two giants and Tube Investments.

However, the mainst taking a much more pa attitude to the engineering and with lower interests now visibly on the way heigh quite so much concerned list of high yielders with I tial currently takes in I Metal, Associated Engine Greenwell suggest that the moment its yield is actually in and Johnson and Firth Bu

Attack on **UK** energy spending

By David Fishlock, Science Editor

BRITAIN has been criticised by the International Energy Agency for spending less on energy research and development in real terms than it was spending in 1974. The IEA's annual report on

energy research, development and demonstration (R. D and D) says that of the 17 countries which made 1979 data available to the agency. only the UK and Canada reduced their spending last

Britain's energy R. D and D hudget, excluding nationalised industries, was £183.4m, a 4.6 per cent reduction in real terms compared with 1978. But the gas. coal and electricity industrics spent another £125.8m, an increase of 1.6 per cent in real terms. Taken together, the total last year of £309m represented a drop in real terms of 2.2 per cent over the previous

But Britain's spending on energy conservation tech-nology showed a 53 per cent real increase, because Government investment under the industrial energy conser-

vation scheme. The official response to the criticism, published in the report, says that Britain has cut back in real terms on nuclear R. D and D. but increased its spending in other areas, including alternative sources and energy conserva-Government expects to spend in 1980 on an exploratory horehole for geothermal heat near Southampton.

Energy research, derelopment and demonstration in the IEA countries: Annual report (OECD, 2 rue André-Pascal, 75775 Paris, France,

NCB studies plans for automated mining

BY OUR SCIENCE EDITOR

PROPOSALS FOR a substantial nvestment in research and development of methods of mining coal without miners, for possible use by the Coal Board beyond the year 2000, are to be put to the NCB this year.

The proposals will call for fairly heavy investment." said Mr. Peter Tregelles, director of the NCB's Mining Research and Development Establishment at The alternative mining tech-

nique which shows promise is underground gasification of the coal seam.

The advanced mining evaluation unit at Bretby has begun studying the feasibility and economics of in-situ coal conersion processes, according to the annual report of the

Two small contracts have been placed with researchers outside the NCB, to study underground gasification operations at sea and to study the possibility of using microbes to break up the coal seam.

Belgium. Germany, the U.S. and Canada are working on

Continued from Page 1

ing. rather than in decline, will set a new pattern of recruit-

apolications in economic recession and to lose a higher than average number of workers -as miners' leaders observed

vesterday.

underground gasification, and " it is going to be necessary for us to undertake some work in

this field." the report says. The NCB scientists have rejected a scheme put forward by Professor Meredith Thring. Queen Mary College, London, for underground mining by remote control, using "teleor robots at the coalchirs' which movements of a miner seated safely on the surface.

To make such a scheme work, they would first have to develop the kind of sensors they are trying to develop today for automating the coal-face using present-day machinery. said Mr. Tregelles.

But Bretby has suggested an exploratory exercise to see if a simple robot of the kind Professor Thring has proposed would be useful to send into mines after an accident, when conditions were too perilous for Mining Research and Development Establishment, Annual

Report, 1979/80 (National Coal Board, London, SW1, 32pp).

Coal industry

ception of an industry expand- will not lose employees to other

It was usual to receive more collieries were finding little when the economy was healthy cope with staff turnover.

taken place and the new per- to be an expanding industry we disaster at British Steel, prob sectors of industry on the scale we have in the past.

In Scotland, the board said difficulty in maintaining man-ning levels. Normally 2,000 men were required annually to

tise for staff on anything like assumptions But the board said: "We are the scale we have in the past, unrealistic is winning a degree hoping that now we are seen. The people are coming to us." of Government acceptance,

Continued from Page 1

Flexible

ing departments, as well as four nationalised industry executives led by Sir Francis Tombs, chair man of the Electricity Council Its findings are likely to be

studied by Ministers and will probably be taken into account in the next round of public planning discussions which begin in September.

There is a measure of agree ment in the group that cash limits should be less rigidly applied in nationalised industries, since it is impossible to foresee accurately all the commercial contingencies which may affect a corporation's need for external finance.

Some provision for rolling over external financing limit be introduced to eliminate the pressure on industries to indulge in uncommercial "win dow dressing."

A more contentious issue discussed by the group has been the treatment of unrealistic assumptions about inflation imposed on industries by the Government. The industries want the Government to revise cash limits if such assumption prove wildly out of line with actual experience, as they have been this year.

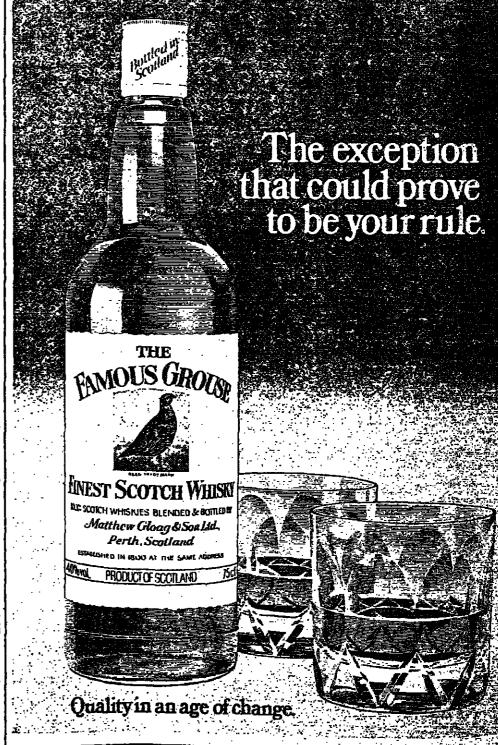
In practice, the Government has already shown some flexibility. It raised the Electricity Council's cash limit by £300m in March to enable i to finance exceptionally high This year, apart from the

lems are expected with the Post Office and British Rail, These will confront the Government with the choice of raising cash limits accept ing price increases or ordering major investment reductions. The general principle that cash We are not having to adver- limits may be revised in

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